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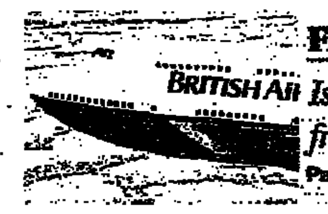

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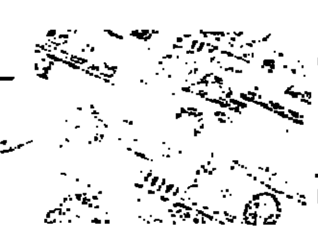

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY SEPTEMBER 5 1994 — D8523A

Brazilian finance minister quits over broadcast

Brazilian finance minister Rubens Ricupero (left) resigned after confessing in a private conversation mistakenly broadcast by satellite television that when it came to inflation indices: "I don't have any scruples. What is good, we exaggerate – what is bad, we hide". His resignation comes at an awkward time for the Real. Until now, Mr Ricupero has earned the nickname of "the monk" because of his calm and reassuring public statements on Brazil's new currency. Page 16

Major insists on IRA guarantee: British prime minister John Major insisted he needed a "copper bottomed" guarantee from the Irish Republican Army that its ceasefire was permanent before Sinn Féin, its political wing, could join talks on the future of Northern Ireland. Page 16

Nomura chief seeks end to securities tax: Hideo Sakamaki, president of Japanese securities company Nomura, called on the finance ministry to scrap Japan's 0.3 per cent tax on securities sales to make the country's equity markets more competitive. Page 4

Bermudan link in new fund at Lloyd's: Indemnity Insurance Services, a London-based insurance broker, is combining forces with a Bermudan reinsurance company in an attempt to form a Lloyd's investment company. Page 17

US 'rigid' over Cuban refugees: Cuba's chief negotiator with the US, Ricardo Alarcón, said Washington had taken a rigid stance over possible moves to stop the flight of Cuban refugees to Florida. Page 3

First Financial seeks transfer business: First Financial Management, an Atlanta-based information services company, has offered $800m in cash for Western Union Financial Services, the US money-transfer business. Page 19

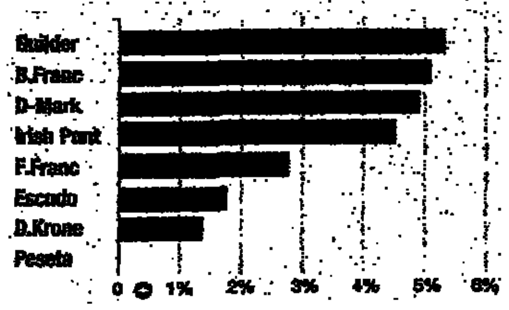
Russia and China in trade pact: Russia and China signed trade and co-operation agreements promising partnership between them after 40 years of volatile relations. Page 2

Japan's Socialists abandon dogma: Japan's two-month-old ruling coalition of left and right was strengthened when Socialist members voted to scrap their most extreme policies. Page 4

Venezuela seeks economic stability: Venezuela approved a programme designed to stabilise the economy and pull the nation out of recession. Page 3

European Monetary System: The spread between strongest and weakest currencies in the EMS grid narrowed during the week, although the order of currencies was unchanged. The Bundesbank council met and left German rates untouched. Earlier in the week four French commercial banks had raised interest rates by 25 basis points. Currencies, Page 29

EMS: Grid September 2, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Sime Darby 7.5% ahead: Malaysian conglomerate Sime Darby reported a 7.5 per cent improvement to M$904m (US$354m) in annual pre-tax profits. The result, although viewed as satisfactory, was below most analysts' expectations. Page 19

Offer for Texaco Canada rejected: US oil group Texaco rejected an offer worth C$200m (US$146m) for its Canadian subsidiary, Texaco Canada Petroleum, saying the company was an important part of group strategy for North America. Page 19

Govett expands in US: Govett & Company, UK fund management and insurance group, has signed a distribution agreement with American Capital Marketing, a US mutual fund group, which it estimates will more than treble its US sales to $1bn. Page 18

Hambros to launch Asian trust: Hambros Bank of the UK is to launch an investment trust specialising in smaller Asian companies, which it believes should benefit disproportionately from fast economic growth. Page 18

Nigerian oil workers' strike called off: Nigeria's two oil workers' unions called off their two-month-old strike aimed at forcing an end to military rule. Page 4

Bumper rice harvest for Japan: Hot weather in Japan has brought the best rice harvest in eight years, with the crop expected to produce an excess of 1.4m tonnes. Page 4

EU offers initiative to head off abortion row

By Bronwen Maddox and Mark Nicholson in Cairo

European Union delegates yesterday launched a late effort to prevent bitter differences about abortion from overshadowing the International Conference on Population and Development, which opens today in Cairo.

The EU delegates want to soften the language on abortion used in the draft statement, which has become the focus of angry opposition from religious conservatives.

The dispute over abortion has threatened to open up a new divide in international politics with Catholic and Islamic states joining forces to oppose more liberal proposals primarily from the US and some north European states.

The talks to avert an open dispute came as more than 15,000 national delegates, representatives of hundreds of non-governmental organisations and around 2,000 journalists, arrived in Cairo for the week-long gathering.

The European initiative follows an EU agreement yesterday to a compromise on abortion which could form the basis for a consensus among the 170 countries at the conference.

The EU agreement bridged the conservative stance on abortion taken by Ireland with more liberal proposals favoured by Denmark and the Netherlands. Amendments to the draft document were being circulated last night by EU delegates. The central proposal was to state in the document that "in no case should abortion be promoted as a method of family planning".

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- Cobbling together a conference
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However, the concerns of the more liberal Western states are addressed by the proposal to urge in the document that governments "deal with abortion as a major health concern". The United Nations population fund estimates that 50m-60m abortions are performed worldwide each year and that as many as 250,000 women die each year from poorly performed operations.

The compromise appeared to have won the backing of the powerful US delegation, which has been the primary focus of criticism from the Vatican and Islamic conservatives, who have charged Washington with endorsing abortion.

Mr Timothy Wirth, US undersecretary for global affairs said: "The European Union has come up with a draft language which we think is very promising as a compromise."

Mr Wirth yesterday stressed that the participants in the conference had reached agreement on "92 per cent" of the proposed text during three years of preparatory discussion. However, several delegations said that the degree of agreement might be under threat during the formal talks on the proposed text which open in closed session tomorrow.

The conference aims to thrash out a consensus by the end of the week on ways of tackling worldwide population growth and family planning. However, the draft text's accent on human rights and the empowerment of women has provoked strong criticism from religious conservatives. They accuse it of endorsing abortion as a means of contraception and undermining family values.

Chirac appeals to Balladur
Gaullist split in race for French presidency

By David Buchan in Paris

Tension among Gaullist rivals for the French presidency burst into the open this weekend as Mr Jacques Chirac, the party leader, declared his "passion" for the presidential contest due next year and appealed for loyalty from his former protégé, Mr Edouard Balladur, the prime minister, who now leads him in opinion polls.

At the annual "summer university" of young members of the RPR Gaullist party, at Bordeaux, Mr Chirac's hold on the party machine he has led for 20 years was amply demonstrated by the chants of "Chi-rac *pré-si-dent*", and by the open endorsement he received from Mr Alain Juppé, the foreign minister, who is also RPR secretary-general.

But, for the first time, a senior RPR member suggested the party should endorse neither Mr Chirac nor fellow-Gaullist Mr Balladur, in order to avoid being torn apart by their rivalry. Mr Philippe Séguin, the National Assembly president, who prefers Mr Chirac to the prime minister, was reported to have said that such neutrality "would not take a single vote away from Chirac".

In fact, Mr Chirac might gain from being less tightly wrapped in the RPR flag than in his past presidential bids, when he failed to win centrist support.

The more obvious beneficiary of RPR neutrality, though, would be Mr Balladur, who already has wide appeal for the RPR's coalition partner, the UDF centre-right federation. This grouping is nominally led by Mr Valéry Giscard d'Estaing, but its biggest component, the Republican party (PR), now far prefers the emollient Mr Balladur to the ex-president.

Two PR ministers redoubled their calls for a "unity" candidate within the majority, by which they mean Mr Balladur. Mr Gérard Longuet, trade and industry minister, said: "In contrast to the spirit of the Olympic Games, the important thing [in the presidential election] is to win, not to participate". Mr François Léotard, defence minister, complained of "snipers within the [government] majority".

Mr Juppé told young Gaullists that Mr Chirac "should lead the way – and he knows that you will be there, and me with you, to follow him". He has thus broken the silence that ministers have maintained for most of this year on revealing their presidential preferences. His action is no surprise, given his RPR post and his feeling of being marginalised sometimes by Mr Balladur on foreign policy issues.

Even so, it may bode ill for discipline this autumn in the government and in parliament, where the RPR leader, Mr Bernard Pons, is urging Mr Chirac to

Continued on Page 16

Appealing to the electorate: German SPD leader Rudolf Scharping (second left) joins in the Mexican wave at a rally in Dortmund to mark the start of his party's general election campaign Report, Page 16

Picture: Reuter

Tory alarm over EU reform plans

By James Blitz in London

Mr John Major, the UK prime minister, is under mounting pressure from Conservative backbenchers to reject French and German proposals for a sweeping reform of the European Union that would exclude the UK from an inner core of EU states.

Tory MPs on both the pro-European and Euro-sceptic wings this weekend urged the prime minister to use a keynote speech in the Netherlands on Wednesday to criticise the proposals, which they fear would relegate the UK to the "slow lane" of Europe.

Euro-sceptic Tory MPs claimed the proposals would mean that Britain paid the full cost of EU membership without getting the benefits. The proposed changes, versions of which emerged in interview given by Mr Edouard Balladur, French prime minister, and in a document last week by the French government and Germany's Christian Democratic Union (CDU), envisaged the creation of an inner core of five EU states – France, Germany, Belgium, the Netherlands and Luxembourg.

Britain, Spain and Italy would be in a second tier, which would not be obliged to meet all the criteria of European monetary union. Other European states with weaker economies would be in a third tier. Mr Jim Cran, a rightwing Tory MP and leading Euro-sceptic, said: "The conception laid out in these discussion papers is unacceptable. They will end up consolidating Franco-German domination of the EU."

Pro-European Tories were also dismayed by the proposals, claiming that they were the inevitable consequence of Britain's uncertain policy on Europe.

It will be virtually impossible for Mr Major to ignore the Franco-German proposals, which threaten to open a period of

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BAe challenges Fokker on Fl 1bn refinancing package

By Paul Betts, Aerospace Correspondent, in London

British Aerospace is challenging a Fl 1bn ($565m) refinancing for Fokker, the loss-making Dutch regional aircraft manufacturer controlled by Deutsche Aerospace (Dasa).

The UK company, which like Fokker is a leading manufacturer of regional turboprop and jet aircraft, is expected to ask the European Commission to block the refinancing on the ground that it constitutes an unfair subsidy.

The move is likely to complicate the long drawn-out efforts of BAe and Dasa to merge their respective regional aircraft operations as part of a broad restructuring of the European sector.

Mr Dick Evans, BAe's chief executive, said on Friday ahead of this week's Farnborough Air Show that the European regional aircraft industry needed to be consolidated around one group of manufacturers similar to the successful European Airbus consortium in the large airliner market. To that end, BAe has held extensive talks with Dasa and Aérospatiale of France.

Although BAe remains in contact with Taiwan Aerospace, with which it failed last year to forge a joint venture, the UK company has made clear that it now favours a European solution to its regional aircraft problems.

Mr Edzard Reuter, chairman of Daimler-Benz, which owns Dasa, also said last week that he hoped to reach an agreement with BAe on combining the two companies' regional jet activities.

But the Fl 1bn refinancing package for Fokker, announced in July, is now seen as a significant obstacle to progress towards an eventual merger of BAe's and Fokker's regional jet activities.

BAe argues that the refinancing constitutes an unfair subsidy that shores up Fokker's position in any eventual merger negotiation and further distorts competition in a market already plagued by manufacturing overcapacity and too many competing products.

The refinancing of Fokker includes a Fl 600m capital injection from Dasa, which bought a 51 per cent stake in the Dutch company last year, and an additional Fl 400m of indirect support from the Dutch government, a minority shareholder.

Under the package, the Dutch government has approved a sale-and-leaseback arrangement involving the sale of Fokker's aircraft building technology to Rabobank, the big Dutch co-operative bank.

The deal required government approval because the purchase and subsequent leaseback of the Fokker technology patents by Rabobank is designed to reduce the bank's tax bill, depriving the government of around Fl 400m in revenues.

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainl)	Esc225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

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Kohl, Gorbachev clash over eastern land

Mikhail Gorbachev: Heading for a meeting in Bonn

By Judy Dempsey in Berlin

Mr Helmut Kohl, the German Chancellor, and Mr Mikhail Gorbachev, former Soviet president, were yesterday locked in a public dispute, the outcome of which could affect thousands of former property owners in east Germany.

Mr Kohl, who will meet Mr Gorbachev in Bonn on Wednesday, said on German radio that the Soviet Union had linked its agreement on the German unification negotiations to Bonn's acceptance as legal the Soviet administration of what was occupied eastern Germany between 1945 and 1949.

During that time, the Soviet administration expropriated 8.2m acres of land and hundreds of enterprises. The land was subsequently divided and distributed to ethnic Germans fleeing eastern Europe.

Last week, however, Mr Gorbachev challenged Mr Kohl, claiming that Moscow had never linked the expropriation issue with the Soviet Union's acceptance of the unification talks. Yesterday, Mr Gorbachev was supported in this by Mr Eduard Shevardnadze, his former Soviet foreign minister.

Their reluctance to support Mr Kohl, who is seeking re-election in October, coincides with claims by former land-owners who argue that it was west and east German politicians, not Mr Gorbachev, who agreed among themselves not to give back land to, or compensate, Prussian aristocrats.

The former land-owners believe that Bonn used the so-called Moscow veto for different reasons. Bonn, for example, could not finanically support full compensation, while the first east German non-communist government believed the former land owners were either former Nazi sympathisers or would return and expel the small land-holders who had been established by the communist regime.

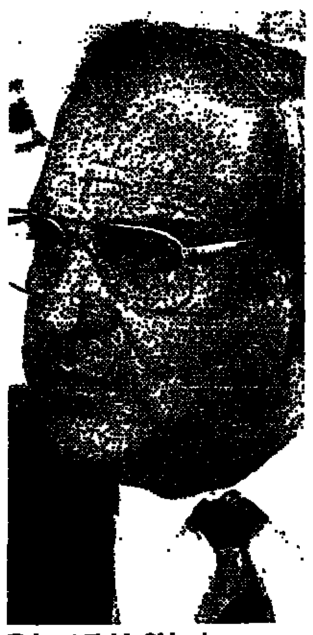
After German unification, former property-owners, including Daimler-Benz, tried to reclaim their property in the east but were over-ruled by Germany's Constitutional Court, which cited the existence of the Moscow veto. These former property-owners are seeking the same rights to restitution and compensation enjoyed by those whose property in Germany was confiscated by the Nazis between 1933 and 1945, and by the East German communist regime between 1949 and 1990.

The meeting of Mr Kohl and Mr Gorbachev follows a crucial compromise agreement by a special joint committee of Germany's lower and upper houses of parliament about how the government should compensate former property-owners whose land was confiscated by the Nazis or the communists.

This accord, expected to be passed by both houses this month, would end four years of wrangling among politicians. It could also help acelerate investment decisions in the eastern German states, dogged by property rights disputes.

Its recommendations include:

- A DM4,000 ($2,564) payment to those east Germans never compensed for confiscated property under the former communists.
- The level of compensation, to be calculated on the 1935 valuation of land and financed from a DM12.6bn ($8.1bn) fund. Depending on the status of the property, the value of land will be multiplied several times. Former owners will be issued with bonds in 2004, redeemable five years later.
- Former property owners of the 1945-1949 period will be allowed to buy back a limited amount of their property at a price below the current market value.



Helmut Kohl: Old seizures making new difficulties

Italian unions warn on pensions

By Andrew Hill in Milan

The Italian government will this week step up discussion of budget measures for 1995 in the face of growing threats from unions to create trouble if their wishes on pensions reform are not respected.

The full cabinet will hold its first formal debate on budget proposals tomorrow, although the Treasury stressed at the end of last week that no decisions would be taken on the detail of the budget.

Mr Silvio Berlusconi's government has to find an estimated L45,000bn ($28.4bn) from cuts or additional revenue in 1995, in an attempt to bring the budget deficit down to L138,600bn. Plans must be agreed and presented to parliament before the end of the month.

The Treasury has refused to confirm growing speculation that savings worth an additional L3,000bn or more will be needed to cover the additional cost of servicing Italy's large public debt following the half point rise in interest rates last month. Figures released last week by the Bank of Italy indicated that the overall debt had grown to nearly L1,900,000bn by May.

The Berlusconi government will come under attack internally if it reneges on election campaign promises not to increase taxes. But Treasury experts believe they still have some room to raise indirect taxes next year without increasing the overal fiscal burden, because tax measures introduced by the previous government expire in 1995.

Mr Innocenz Cipolletta, director general of Confindustria, the Italian employers' federation, said at the weekend that even a budget which raised L48000bn next year would not be enough.

But trade unions are resisting the drastic action recommended by the Treasury to reform Italy's overloaded pension system. Two of Italy's three main trade union federations – CIGL and UIL – have expressed serious doubts about the government's plans. Only CISL, the Catholic federation, is taking a softer line.

Ukraine and Russia patch up relations

By Matthew Kaminski in Kiev

Ukraine and Russia are moving towards normalising their often strained and fractious relationship. A weekend ministerial summit yielded a series of agreements to be signed when President Boris Yeltsin visits Kiev in early October. Also signalling a thaw in military relations was a compromise splitting land facilities in the Crimea that had held up a final agreement on the division of the Black Sea fleet.

Many treaties have been signed and broken, but the installation of a new president in Kiev and the changed political atmosphere in Ukraine hold out prospects for a lasting reconciliation.

Ukraine and Russia in principle have agreed to avoid double taxation, ease custom regulations and start work on a customs union and a free trade treaty. "The agreements will not resolve all problems existing between Ukraine and Russia, but it should establish a basis for developing relations," said Mr Hennady Udovenko, Ukraine's new acting foreign minister.

A shift in attitude toward Moscow follows the election in July of Mr Leonid Kuchma, who promised closer links between the former Soviet Union's two largest states. His predecessor, Mr Leonid Kravchuk, a communist turned nationalist, often squabbled with Moscow over various issues including control of the country's nuclear weapons and the Black Sea fleet, based in the Crimea.

Mr Valery Shmarov, the defence minister, said on Friday that Ukraine would agree to split the on-shore facilities of the fleet, breaking with previous refusals to even consider the issue. The two this April had agreed to divide the ships, with a bulk going to Russia, but details on lease terms and compensation have yet to be finalised.

Over two years, at least four attempts to divide the 300 vessel fleet's assets and on-shore installations have failed. An agreement is likely to be linked to forgiving part of Ukraine's large oil and gas debt.

In the dispute over secessionist moves by Crimea, a mostly ethnically-Russian peninsula given to Ukraine in 1954, Russia recently has dealt directly with Kiev, often bypassing Crimean President Yuri Meshkov and most recently rejecting Sevastopol's bid to join the Russian Federation.

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Moscow denies military presence in Chechnya

By John Thornhill

The Russian government yesterday denied it had intervened militarily to destabilise the Caucasian republic of Chechnya despite an outbreak of fierce fighting over the weekend.

Mr Victor Yerin, Russia's interior minister, told the Interfax news agency yesterday: "All that is happening with Chechnya is the business of the Chechen people alone. No interior troops are involved in the events in that republic."

Russian news agencies reported that fighting had erupted on Friday between supporters of Mr Dzhokhar Dudayev's regime and opposition forces at Dolinskaya, 30km outside the republican capital of Grozny. The fighting involved artillery and armoured vehicles, raising suspicions that Russian forces were involved.

Mr Movladi Uganov, the Chechen information minister, told Reuters on Friday that two Russian helicopters had fired on the outskirts of Grozny inflicting casualties.

The Russian defence ministry vigorously denied the charge.

Reports of the fighting have been confused and there have been no details of casualties. The situation was reported to be calm yesterday.

Moscow has repeatedly made plain that it wants order re-established in the break-away republic and has called upon Mr Dudayev to step down, warning that Chechnya faces the risk of "self-annihilation in the bloody flames of civil war". The Russian government has openly supported a Chechen opposition grouping, led by Mr Umar Avturkhanov, which has been fighting to remove Mr Dudayev.

On Friday, Chechnya ordered the expulsion of all Russian journalists within 24 hours. The telephone lines between Moscow and Grozny have been cut.

Yeltsin seeks to outsmart his nationalist critics

By Steve LeVine in Tashkent

The outbreak of fighting in Chechnya appears to mark the start of a new, violent phase in a Moscow-backed effort to install a non-separatist government, and to help keep Russia from splintering.

The turbulence comes in Russia's most volatile region, a strip of well-armed Moslem republics in its south-west Caucasus mountain region. It originated three years ago, when Mr Dzhokar Dudayev returned to lead Chechnya after serving as a general in the Soviet strategic bombing division, and declared independence from Moscow. He went on to humiliate Mr Yeltsin, who sent in about 500 Russian troops to put down the separatism but quickly had to withdraw when Mr Dudayev declared war.

The attempt to unseat -Mr Dudayev, however, risks heavy bloodshed in a republic known for blood feuds and belligerent clans. In oil-rich Chechnya, high fashion involves variants of 1930s-style gangland pinstripes and fedoras, and government ministers keep loaded pistols and rifles on their desks and in concealed holsters.

Mr Yeltsin's open support for Mr Dudayev's opponents is partly a strategy to pre-empt his own nationalist critics by appearing tough against independence drives in Russia's restive regions, such as Tatarstan and Bashkiria. He is also sending a signal that he will no longer tolerate such flagrant defiance.

Moscow's plans also appear to stand a good chance of backfiring. One of Mr Yeltsin's greatest political foes, Mr Ruslan Khasbulatov, has become Chechnya's most conspicuous opposition leader and may himself take power there. Mr Khasbulatov was Russia's parliamentary speaker until Mr Yeltsin ousted him last year in a bloody shootout, and was released from prison in February. While denying he wants to be Chechnya's president, Mr Khasbulatov has allied with two of three warlords who have emerged against Mr Dudayev, and yesterday said he was forming a paramilitary unit to oppose the republic's president.

The anti-government groups possess enough armour to lend some credibility to assertions that Moscow has armed the rebels.

Last month Mr Yeltsin sent cash to one of the rebel provinces, Nadterechni, to make up three years of back pay to pensioners and government employees that had been withheld by a blockade from Moscow. The windfall significantly boosted the image of the region's warlord, Mr Umar Avdorkhanov, leader of the rebels' Provisional Council.

This has made Mr Avdorkhanov appear to be Moscow's favourite to succeed Mr Dudayev. But another regional strongman, a 31-year-old former Grozny mayor named Mr Beslan Gantemirov, is said to control the biggest rebel force, about 1,000 men in Chechnya's Urusmartanovsky region. Then there is the third warlord, Mr Ruslan Labazanov, 26, a martial arts specialist who says he supports Mr Khasbulatov.

Mr Labazanov's political plans are simple: "If Dudayev does not resign, we will eliminate him."

China and Russia sign trade accords

By John Thornhill in Moscow

Russian and Chinese leaders signed a series of trade and co-operation agreements over the weekend, promising a new era of partnership after 40 years of volatile and often bitter relations.

In the first visit to Moscow by a Chinese head of state since 1957, Mr Jiang Zemin signalled his determination to extend the recent rapprochement with Russia. "Autumn is the season of harvest. In Moscow I have gathered a good harvest," he said yesterday.

The two presidents signed a political declaration promising neither country would target nuclear weapons at the other. Both sides pledged not to allow ideology to obstruct their bilateral relations nor join an international grouping that would endanger each other's security interests. An agreement was reached demarcating the western section of Russia's border with China, which has been in dispute for decades. Russian involvement in five big Chinese industrial projects was also confirmed in a trade protocol, which could bring $200m (£129m) of orders to Russian companies.

"Both parties reached an understanding of the necessity to build a new type of constructive partnership, which means neither confrontation nor political alliance," Mr Qian Qichen, China's foreign minister, said yesterday.

Mr Boris Yeltsin, Russia's president, said that as a force both in the west and the east, Russia had no alternative but to develop its national interests "through partnership and normal co-operation with the outside world".

China remains one of Russia's most important trading partners despite a sharp contraction in trade between the two countries this year because of the upheavals in Russia's economy.

INTERNATIONAL PRESS REVIEW

Caution on bridging the divide

N IRELAND

Germany's editorial writers were given a wonderful opportunity to proffer advice to the British and Irish governments following the IRA's decision to bring in a ceasefire. After all, Germany actually went through the experience of unification five years ago. But the commentators opted for caution.

Perhaps they were reluctant to explain to Dublin how, despite a common language, German unification has created internal economic, psychological and social divisions. There was little editorial dissension across the political spectrum.

The leaders agreed that the response by the British government to the ceasefire was crucial for determining the future development of the peace process. "The peace prospects now depend on the Unionists and the British government," wrote the left-wing *Frankfurter Rundschau*.

The conservative *Frankfurter Allgemeine Zeitung* went further. In its editorial, the paper blamed the British government for failing to cope with the IRA, but added that the IRA had failed in its attempts to get London to stop protecting Northern Ireland. The FAZ returned to the subject a day later, arguing that "the IRA has manoeuvred the British government into a situation of imponderables. London cannot allow the impression to be created that violence has led to the goal [for peace]."

The liberal *Süddeutsche Zeitung* settled for scepticism. "The prospects for a permanent peace settlement could be illusory," the paper warned. It was left up to the small *Nordbayerischer Kurier*, based in Bayreuth, to use the ceasefire to reflect on other ethnic and political conflicts throughout the world.

It speculated that if a solution in Northern Ireland was possible, would it be too much to expect that one day "the Kurds and the Turks would sit at the same table, the Chinese would grant independence to Tibet, and North and South Korea might be reunited. Nothing is impossible."

But, in South Korea, the coverage of the breakthrough was particularly low-key in contrast to the copious coverage that the South Korean media gave to the civil war in the recently united Yemen earlier this year. This event was considered a warning about problems that Korea could confront if unification is achieved between North and South Korea.

The South Korean media's routine coverage of the Irish story may be explained by the fact that its attention was focused on the diplomatic moves last week that could determine the fate of the Korean peninsula. The US had agreed to a meeting in the North Korean capital of Pyongyang to discuss the establishment of diplomatic relations and China gave its support to a North Korean proposal for a peace treaty with the US that could eventually lead to the removal of US troops from South Korea.

Irish-Americans divided between those who foresaw the almost immediate unification of northern and southern Ireland – in five or perhaps ten years – and those who believed the British government would merely seek to exploit the IRA ceasefire for tactical advantage. Many third and fourth generation Irish-Americans are shaky on the details of the Irish conflict. A good proportion believe that Catholics make up the majority in the north, but they are unwavering in their determination that the British must go.

But one general assumption, expressed by commentators on radio and television shows last week, is that the British people are tired enough of haemorrhaging cash and casualties in Northern Ireland that they are only too eager to withdraw.

And leaders of one Irish-American lobby group after another hurried to give the credit to President Bill Clinton for encouraging the peace process along by his decision to grant a visa earlier this year to Mr Gerry Adams, the Sinn Fein leader.

Newspaper editorialists were more enthusiastic in their response to the news of the IRA ceasefire, though careful to warn that it was only a first step. The *New York Times*, under the headline "Hope Reborn in Northern Ireland", hailed the move as "a breakthrough – and things ought to go very badly for any faction that shatters this yearned-for ceasefire". The paper concluded: "In short, the permafrost seems finally to be heaving."

The *Washington Post*, while sharing the view that Mr Clinton deserved much of the credit, was more cautious on the future prospects. "The ceasefire, a culmination of years of effort, is only a beginning. But if it holds it will be seen as the breakthrough concession that made real peace possible," the Post said.

By Judy Dempsey in Berlin, John Burton in Seoul and George Graham in Washington

INTERNATIONAL NEWS DIGEST

Swedish poll doubts grow

Support for Sweden's opposition Social Democratic Party, favourite to win the September 18 general election, fell significantly last week according to an opinion poll published yesterday. But the swing was strongly to the left and not towards the struggling right-centre government of Prime Minister Carl Bildt. The poll showed support for the Social Democrats slipping 3.2 percentage points to 47.4 per cent, the first time the party has fallen below 50 per cent since June. This suggested the Social Democrats will not win an overall majority.

The shift is likely to unsettle financial markets, which have driven up long-term interest rates and weakened the Swedish krona because of uncertainty over how the incoming government will deal with the country's budget deficit and fast growing public debt. Uncertainty over the outcome of referendums later in the autumn in Finland and Sweden on their applications to join the European Union has also unsettled markets. The left in Sweden is strongly anti-EU and a poll in Finland on Saturday showed a strong swing there to the anti-EU camp for the first time in several months. *Hugh Carnegy, Stockholm*

Bougainville peace agreement

The six-year guerrilla war on the Pacific island of Bougainville, controlled by Papua New Guinea, moved towards peace at the weekend after talks between Sir Julius Chan, Papua New Guinea's newly elected prime minister, and Commander General Sam Kauona, leader of the Bougainville Revolutionary Army. A formal declaration said PNG troops and BRA rebels would "maintain static positions" until a ceasefire was announced this week, when a South Pacific peacekeeping force would be sent to the island to ensure the truce was honoured.

The two leaders also announced that a "peace conference" would be convened no later than October 10. "This is a positive beginning on a path to peace," said Sir Julius. The Bougainville dispute centres on islanders' demands for self-rule. Tensions were inflamed in the 1970s and 1980s with the building of the Panguna copper mine, operated by Australia's CRA. Local landowners claimed that they did not get enough compensation and that income from the mine was siphoned back to CRA or the PNG government at the expense of the island's community. *Nikki Tait and Agencies, Sydney*

Malaysia detains sect leader

The leader of a banned Moslem sect in Malaysia has been detained under the country's tough internal security laws to prevent him "acting in any manner prejudicial to the security of Malaysia". Mr Ashaari Muhammad, head of the Al Arqam sect, was arrested at the border between Malaysia and Thailand at the weekend after being deported by Thai authorities. Mr Ashaari, with his wife, six-month-old daughter and four followers, is being held at an undisclosed destination under the terms of Malaysia's internal security act, which allows detention without trial for up to two years. Al Arqam, which claims 100,000 followers in Malaysia, was banned by the Malaysian authorities last month. The government said the sect was guilty of deviationist Islamic teachings and described it as the greatest danger to the country since the communist insurgency. Al Arqam says it is being victimised because of its growing influence in Malaysia, which is about 55 per cent Moslem. *Kieran Cooke, Kuala Lumpur*

Ukraine miners die in blast

An explosion at a Ukrainian coal mine at the weekend killed 24 miners and left 15 injured. The mine blast in Slavyavo-Serbskaya, at the heart of Ukraine's eastern coal belt and just outside the regional capital of Lugansk, underlined the poor state of the country's coal industry, saddled with ageing pits and outdated equipment. Investigators have yet to find the cause, but methane gas was suspected. Accidents are frequent; some four miners die for every 1m tonnes of coal produced. Last year 212 miners perished in mine accidents; in 1992, an explosion in the Lugansk region killed 57 people. Ukraine's mining sector, now propped up by subsidies from Kiev, needs capital investment and layoffs to prosper in a market economy. But the Kiev government balks at such moves for fear of upsetting a fragile stability in trhe country's mostly Russian-speaking, over-industrialised and impoverished eastern region. *Matthew Kaminski, Kiev*

Russia curbs MMM adverts

The Russian government has reinforced recent attempts to bring some order to the country's chaotic advertising market by banning the MMM investment fund from advertising in state-run media. MMM, a pyramid investment scheme which sucked in millions of shareholders, has continued to run extensive television advertising campaigns despite the collapse of its share price, the arrest of its founder and government claims that MMM investment certificates are little more than "pretty postcards". Mr Victor Chernomyrdin, Russia's prime minister, has also instructed state-run media not to run advertisements by "organisations attracting investments from individuals and legal entities in violation of existing laws". Last week, the Russian government approved a draft law proposing stiff regulation of Russia's nascent advertising market. It is not clear whether MMM will be able to evade government restrictions by limiting its advertising to private television stations. *John Thornhill, Moscow*

VW to set up plant in India

Volkswagen plans to set up a car factory in India, one of the world's fastest growing vehicle markets. Volkswagen, Europe's biggest and the world's fourth leading car maker, has selected Indian tractor manufacturing group Eicher Motors as its partner in conducting a six-month feasibility study, newspapers reported. The study will help VW decide which models to launch in India, according to the reports, which quoted VW Asia-Pacific chairman Martin Posth. Volkswagen's foray into India comes 12 years after it set up its first Asian joint venture in China. Volkswagen is the latest in a string of foreign companies to target the Indian car market since the government relaxed restrictions on foreign investment last year. *Reuter, New Delhi*

Japanese in Hungary car deal

Suzuki Motors of Japan is to add four-wheel-drive cars to the range produced at its plant in Hungary, under an agreement with the rival Fuji Heavy Industries, which will sell them in Europe badged as Subarus. Up to 12,000 a year will be supplied to FHI from next year under an original equipment manufacture deal. The versions of the Suzuki Cultus, currently produced in two-wheel-drive form, will replace a Subaru Justy model which FHI had previously shipped from Japan. Sales of the model have already been discontinued in the domestic market. The two companies agreed in June to co-operate in developing automatic transmissions, and yesterday's disclosure prompted speculation that they could move to joint development of cars as part of cost-cutting efforts. *Gordon Cramb, Tokyo*

Mazda in Chinese venture

Mazda is to set up a joint venture to manufacture commercial vehicles in Fuzhou, China, from 1996. The Japanese vehicle group's partners are Fuzhou Solid Motors, a local company, the Salim group of Indonesia and Tomen, the Japanese trading company. The venture is expected to call for investment of about Y10bn ($101m) and to have an annual output of 10,000 pick-up trucks rising to 30,000 in 1997. This is in line with the Chinese government's policy that small truck production should exceed 100,000 units a year. Local parts procurement is also planned to increase to 50 per cent. Mazda already has a joint venture in Hainan, in southern China, which produces several thousand commercial vehicles a year. Last year it began licensing small commercial vehicle technology to Fuzhou Solid Motor. *Michiyo Nakamoto, Tokyo.*

#Sultan

Caracas plan aims to pull in foreign funds

By Joseph Mann
in Caracas

The Venezuelan government moved closer at the weekend to implementing a new programme designed to stabilise the economy and pull the nation out of its second year of recession.

President Rafael Caldera and his cabinet approved the programme at a special cabinet session on Saturday.

However, officials said that details would not be made public until after a series of meetings to be held with representatives of political parties, business, organised labour, the Catholic Church and other groups.

The Caldera administration's main goals are to fight inflation by reducing the fiscal deficit.

A plank of the policy is to attract new foreign investment especially in petroleum and heavy industry, and to revive the "strategic role" of the government in the economy. The government aims to increase workers' real purchasing power, and provide social welfare benefits to the nation's poor.

The programme is expected to include the following elements:

● Fiscal action, such as increasing some direct and indirect taxes, improving revenue collection at all levels, and reducing allowable deductions for income taxes.
● Staggered increases in retail prices of petrol, which now sells at about the equivalent of 13 US cents (8p) per US gallon. These price increases will be accompanied by some type of wage bonus or subsidy to private sector and government workers.
● Replacing zero-coupon bonds, denominated in Venezuelan currency and issued by the central bank, with US dollar-denominated or dollar-linked instruments backed by Venezuelan oil. The new instruments, to be purchased only with Venezuelan currency, will be used to absorb excess liquidity and should cost the government considerably less than the zero-coupon bonds.
● Government financial assistance for small businesses, agriculture and tourism.
● The re-organisation of several ministries.

It was not clear whether the government was planning to include one key reform, involving changes in the current system of accumulated severance benefits, in its programme. For years, business in Venezuela has been seeking changes in the system, which creates heavy liabilities for employers.

Also, it was not apparent whether the government planned to make any changes in existing controls on prices and foreign exchange transactions, or whether it would restore six constitutional rights suspended on June 27.

Under the economic plan, the government hopes to lower inflation from a projected 60 per cent this year to 25 to 30 per cent in 1995. Inflation last year was 46 per cent.

For 1995, the administration also hopes to achieve a zero fiscal deficit and to raise non-oil gross domestic product to a positive 3.9 per cent, compared to a projected negative 4.3 per cent this year.

President Caldera, who began a five-year term in February, inherited a weak economy and a financial crisis that forced his government to take over 11 commercial banks and provide financial aid to several others.

The president has repeatedly said that he rejects the free-market economic policies applied during the previous administration. He has turned to heavy government intervention to tackle Venezuela's economic and financial problems.

Despite this position, he is opening the country's oil exploration and production sectors to major international investment, for the first time since the petroleum industry was nationalised in 1976.

Colourful recovery in the nation's capital

George Graham finds Marion Barry running hard to win back the Washington mayoralty

The orange clamp on the rear wheel of Mr Marion Barry's Chrysler New Yorker car, as he parked outside the offices of the Washington Post last week, seemed almost the last, desperate effort of the city establishment to stop his resurrection from drug addiction and prison to become, once again, mayor of Washington, DC.

With only a week to go before the Democratic party's primary ballot that – in all likelihood, in this solidly Democratic city – will determine the winner of the election in November, it will take more than a clamp to stop Mr Barry.

He was last seen by the world outside Washington in 1990, smoking crack cocaine on a videotape made by the Federal Bureau of Investigation. He served six months in prison for cocaine possession, but returned to win a seat on the Washington city council and now holds a wafer-thin lead in the running for the mayoral primary.

A Washington Post poll last week showed him on 34 per cent, against 33 per cent for Mr John Ray, a dull safe council member, and only 14 per cent for the incumbent mayor, Mrs Sharon Pratt Kelly, who won the office in 1990, just after Mr Barry's arrest, with a promise to "clean house".

Even six months ago, Mr Barry's comeback seemed unthinkable. But his devoted supporters have led an unprecedented drive to register new voters in the city's poorest districts, where the reservoir of sympathy for him is deepest.

During the last four months, more than 19,000 new voters have registered for the Democratic primary, half of them east of the Anacostia River in the most depressed area of Washington.

In 1990 the FBI was taking him away on a drugs charge, but now Barry is riding on support by new, poor voters Photos: Washington Post, AP

The national Democratic party is bracing itself for a Barry victory that seems certain to cause embarrassment.

Six months ago, Mr Tony Coelho, a former congressman who has been drafted as the party's top strategist, said that, if Mr Barry were to win, "the implications are that the comics go wild and the press goes wild."

Today, Mr Coelho calls the candidate a good role model because of what seems to be his successful recovery from dependence on drugs and alcohol.

For Mr Barry, a consummate politician, his struggle with addiction is one more element to be turned to account in his election campaign. His speeches even echo the 12-step recovery programme of Alcoholics Anonymous.

"I'm in recovery and so is my city," he said when he announced his candidacy.

Throughout his long political career, Mr Barry has been adaptable. The son of a sharecropper in the Mississippi Delta of the far south, he became, in the 1960s, chairman of the Student Non-violent Co-ordinating Committee, one of the most potent organisations of the civil rights movement, over the head of more messianic leaders such as Mr Bob Moses.

In Washington, Mr Barry put on a suit to win a seat on the city school board. In 1978, he won his first term as mayor with a lot of white votes from the US capital's opulent north-west.

But, on his return from prison, running in an almost entirely black ward, Mr Barry adopted the brightly coloured kente cloth and kufi caps which have become, for many black Americans, an emblem of their African heritage.

Now that he needs votes citywide in his quest for a fourth term as mayor, the business suits have returned, though flashes of kente still appear. "I'm a situationist. I do what is necessary for the situation," he once said.

Support for Mr Barry in many of the poorer black areas of Washington is fervent and unquestioning. Many saw his pursuit and eventual arrest by the FBI as a conspiracy by the white power structure against a powerful black man.

Many others appear to accept his message of personal redemption, and to be willing to give him a second chance to recreate the boom years of the 1980s when he helped to recycle some of the benefits of a thriving local economy through government jobs and summer work programmes.

Conspiracy theories are not strange in Washington, a 70 per cent black city which, until it won a limited degree of self-rule 20 years ago, was run by a congressional committee chaired by such luminaries as Senator Theodore Bilbo, also from Mississippi but he was a Ku Klux Klansman.

Besides, in a city where, on any given day, sociologists have estimated, four out of every 10 black men are in prison, on parole, on probation or wanted by the police, Mr Barry's cocaine conviction may not seem much of a blemish.

Even so, white voters and many of the wealthier blacks in north-west Washington are less forgiving. They remember not only the FBI videotape, but also a Barry administration in which a dozen or more senior officials, including two of Mr Barry's deputy mayors, were convicted of various degrees of corruption.

They remember, too, a city government which became an all-purpose jobs programme, and which, even today, after substantial cuts by Mrs Kelly, has more people on its payroll than Chicago, a city four times its size.

Whether Mr Barry can win the primary on September 13 depends to a great extent on the size of the anyone-but-Barry vote.

Mrs Kelly is unlikely to benefit greatly. She spent most of her first two years as mayor running for some higher national office and started running the city too late to make much difference. With the city facing a budget crisis and the corruption-plagued housing department now in the hands of the courts, anyone-but-Kelly outpolls even anyone-but-Barry.

That leaves Mr Ray – and 58 per cent of his supporters, in the Washington Post poll, wishing somebody else were running.

US accused of inflexibility in Cuban refugee talks

Cuba's chief negotiator in the current talks with the US said yesterday that Washington has taken a rigid stance over possible moves to stop the flight of Cuban refugees to Florida.

Mr Ricardo Alarcón predicted little progress until the discussions tackle the US economic embargo of the Caribbean island, agencies report from New York.

The Cuban former foreign minister insisted that thousands of his fellow-citizens have recently risked crossing the Florida Straits in flimsy rafts because of the 30-year embargo by the US against Cuba.

He said on CNN television that Cuba was "flexible enough" to discuss attempts to end the exodus when talks resume in New York, which was due to happen late yesterday.

"But we have to make it very clear," he went on, "that, if you want to find a real resolution to this problem, you cannot ignore the sources" - namely the economic embargo.

The US negotiators were "not prepared even to talk about that," Mr Alarcón said. "It's very unfortunate. That means that a real solution cannot be found."

The latest flood of Cubans leaving the island began when President Fidel Castro responded to riots in Havana on August 5 by suggesting that his government would no longer stop citizens trying to leave.

Since then, more than 28,000 Cubans are believed to have tried to reach Florida on home-made craft.

The tide of refugees was slowed on Saturday, when 850 people were picked up by the US Coast Guard. This was down from nearly 1,300 on Friday.

During two days of talks in New York last week, US officials said Washington had proposed putting in place an "expanded, predictable, dependable and legal" migration programme, provided that Havana took steps to prevent an illegal, disorganised exodus from the island.

Mr Alarcón was not optimistic about the chances of reaching an agreement during the talks yesterday, or any time soon. "I think that there is still a pretty long road to go before we can finalise a specific agreement. That's my impression. But it's possible to find one."

The US state department stated that the US delegation at the talks would have nothing to say until after the meeting last night.

Bumper harvest adds to Japan's rice troubles

By Emiko Terazono in Tokyo

This summer's hot weather in Japan has brought the best harvest in eight years. Unlike last year, when the rice harvest index fell to 74 after heavy summer rains and typhoons, this year's crop is expected to produce an excess of 1.4m tonnes above projected consumption.

However, this is not entirely good news: the agriculture ministry is struggling to rid itself of foreign grains left over from this year's emergency imports. Last year's poor harvest caused a shortage of Japanese rice in February, triggering panic buying among consumers.

More than 1m tonnes of Thai and Chinese long grain rice, which is unpopular with consumers, are said to be held in the warehouses of wholesalers and the government. Some retailers, unable to sell the foreign rice, have been dumping it in bagfuls in unused fields, and one Buddhist temple in central Japan has become famous for the many people who come there to feed the pigeons with long grain rice.

The surplus is expected to remain for several years. In the wake of last year's poor harvest, the government eased the rice-reduction policy established in 1971 to prevent an oversupply. As a result, farmers who were forced to turn their paddies into vegetable and fruit fields have resumed growing rice.

Another headache for the ministry is the partial opening of the domestic rice market next year under the Uruguay Round of multilateral trade negotiations. The government will allow imports of up to 4 per cent, or 400,000 tonnes, of the market; this will be raised gradually to 8 per cent over six years. Moreover, farmers in rice-exporting countries, including the US and Australia, which supplied the 2.6m tonnes of emergency imports, are demanding that Japan import the same amount from this year's harvest.

To add to the confusion, the government is trying to revamp the regulated distribution system by relying more on market forces. Earlier this month, an advisory council to the ministry proposed that the Staple Food Control Act be reviewed for the first time in 52 years. While this is expected to provide consumers with cheaper rice, it could also mean that inefficient rice farmers and wholesalers will be forced out of business.

The good news for the government stemming from the rice saga may be the Y155.2bn in profits made by its food agency from selling foreign rice to distributors at three times the import price. The government says the profits will be given in subsidies to farmers suffering from last year's poor harvest.

Conference move brings SDP into line with rightwing coalition partner

Socialists jettison party dogma

By William Dawkins in Tokyo

Japan's two-month-old ruling coalition of left and right was strengthened at the weekend when Socialist members voted to follow their leader and scrap their most extreme policies.

The move, agreed at an extraordinary convention of the formerly pacifist Social Democratic Party on Saturday, is the biggest policy change in the SDP's history. It bolsters the authority of Mr Tomiichi Murayama, the pragmatic Socialist prime minister, and removes the biggest risk to the survival of the originally unstable coalition: a policy split between the SDP and the conservative Liberal Democratic Party, the largest partner.

The decision angered the SDP's extreme-left minority, which staged drum-beating demonstrations outside the convention centre and begged Mr Murayama not to sell out to the LDP. One senior member of the left resigned and others might follow.

A nearly two-thirds majority of the national convention voted in favour of a draft policy, accepting the existence of the country's self-defence force - Japan's military - so long as it was the minimum needed. While a relief to the government, this is a sign that defence spending could face a further squeeze in next year's budget.

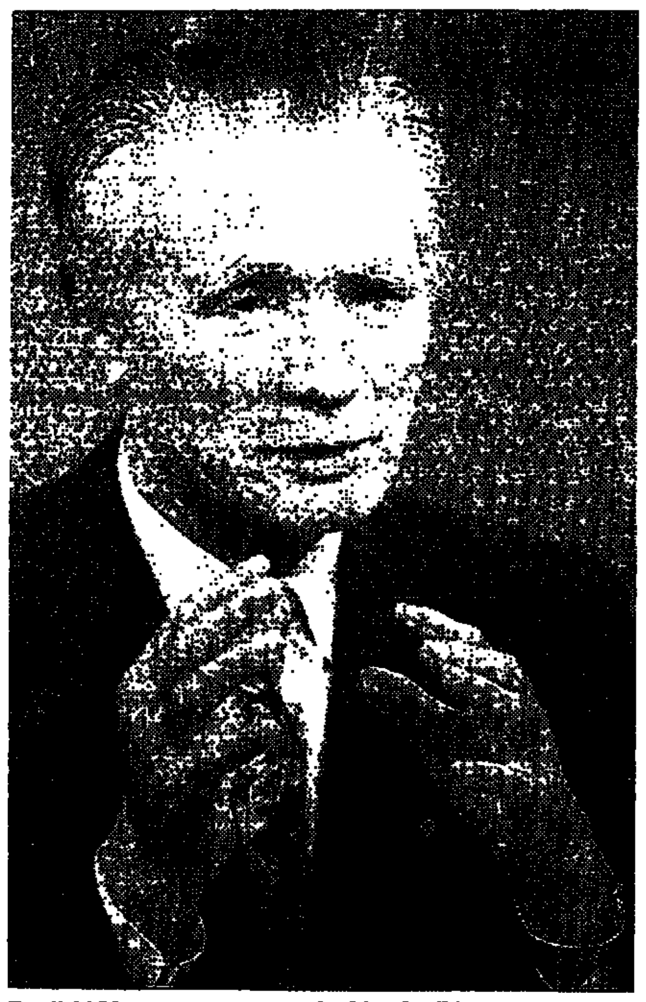
The party agreed that the US-Japan treaty, under which 24,000 US troops are based in Japan, must be "firmly maintained", rather than turned into a mere friendship treaty, as in its previous policy.

On taking office, Mr Murayama quickly dropped the SDP's traditional opposition to the US-Japan security treaty and to the existence of Japan's military. But until Saturday's critical test of his control, it was unclear whether SDP members would support him or rebel.

Other changes to Socialist dogma included acceptance, for the first time, of the national flag and national anthem, formerly seen as militarist symbols. In an important move for energy policy, the SDP dropped its traditional demand to ban nuclear power and said Japan should continue to use those nuclear reactors now in operation until new energy sources could be found.

The weekend U-turn means the SDP's official policies are now nearly the same as those of the LDP, the Socialists' traditional foe for nearly four decades until last year.

The policy switch is likely to reduce, but not erase, any anxiety in Washington that the new government will be tempted to downgrade Japan's strategic links with the US. An element of uncertainty over just how far the SDP had embraced the US security tie was raised yesterday when Mr Wataru Kubo, party secretary general, said Japan should reduce and eventually drop the military aspect of its relations with the US and shift the alliance to a more internationally-oriented linkage.



Tomiichi Murayama: won party backing for U-turn

Nomura chief calls for more open markets

By William Dawkins in Tokyo

Japan's equity markets must be made more open and competitive if the economy is to recover, Mr Hideo Sakamaki, president of Nomura, Japan's leading securities company, said at the weekend.

He called on the finance ministry to scrap Japan's 0.3 per cent tax on securities sales, to admit more banks to the securities business, and recommended the dismantling of the cross-shareholdings that bind together Japan's keiretsu, or corporate families. "The fewer cross-shareholdings the better," he said.

"The Tokyo market must become fully functional as the heart which pumps blood into the economy," said Mr Sakamaki.

Japan's equity markets were "at the development stage" compared to the US and London, but needed to catch up fast to cope with Japan's transition from a mixed economy to a free market economy, he argued. "The Japanese system is distorted and strained, both in politics and the economy," said Mr Sakamaki.

Japan's securities industry has been calling for an end to securities sales tax for years. Demands have intensified recently because of a doubling in the past year in the value of Japanese shares traded in London, where there is no such tax.

The finance ministry is unwilling to abolish this source of government revenue, on the grounds that Japanese share trades are already lightly taxed. Individual investors, for example, pay no capital gains levy.

Nomura's call for a more open equity market reflects its own confidence in being able to face increased competition, after a partial recovery from its dive in profits in the early 1990s.

Smaller brokers do not share this confidence because of their over-reliance on commission income at a time when the share turnover is low.

The economy was still "in a tunnel" with no sign of the exit, said Mr Sakamaki, pessimistic by contrast with the comments on Friday by the government's Economic Planning Agency that bright signs were gradually spreading.

Pre-tax profits of Japan's top 400 companies last year were barely above the level of a decade ago and their return on equity was poor, 2.7 per cent, by comparison with their US counterparts' 13 per cent, Mr Sakamaki pointed out.

High wage costs were a big factor in this. Japanese costs were so high that not even a Y100,000bn (£653bn) increase over their Y191,000bn sales last year would bring an increase in profits, he predicted.

Nigerian regime defeats oil workers' strike

By Paul Adams in Lagos

The leaders of Nigeria's two oil workers' unions yesterday called off their two-month-old strike aimed at forcing an end to military rule.

A spokesman for the leaders of the unions Nupeng and Pengassan, who last month were barred from their posts by military decrees, said they had only decided to "suspend" their action "in the interest of the suffering masses...the economy and the oil industry". However, an attempt to resume the strike action is almost certainly to fail in the wake of the waning support among their members, some of whom had already returned to work.

"We have asked all our members to resume work immediately, and from tomorrow they should all be back to work," said the spokesman, Mr Arthur Onoviran.

The unions said that they still stood by their demands for the military government to uphold the undeclared victory of Mr Moshood Abiola in last year's presidential poll, release him from jail and restore the democratic institutions that were swept aside in November.

The unions are also demanding reforms in the state's management of the oil industry, where under-investment has led to heavy job losses.

During August, the strike cut more than a quarter from Nigeria's 2m-barrels-a-day output of crude oil, the country's only major export, and severely disrupted national fuel distribution. Most of the lost production was at Shell's onshore operations, while offshore producers were largely unaffected, with Chevron raising output 12 per cent, according to industry sources.

The companies said last week that production staff were returning to the oil fields and that tanker drivers in Lagos and the country's south-west had resumed work. Nigeria's main oil refinery at Port Harcourt was again producing, and the fuel depots were open.

The oil workers became isolated in their struggle against General Sani Abacha's regime, which has rejected demands to hand over to civilian rule and release Mr Abiola. Strikes in other sectors of the economy were shortlived or haphazard, and the movement to end military rule lacked political leadership, despite strong popular support, especially in Mr Abiola's native south-west.

The end of the strike leaves the government in its strongest position in several months Mr Abiola and several of his outspoken supporters are in jail, a strike in the most important industry has been broken, the national executive of the oil unions has been replaced by government nominees and the government has carried the army in the clampdown against pro-democracy forces.

Without a government in waiting - a cohesive political movement to take control if the government were to fail to rally the strikers during a long haul - the oil workers could not achieve their aims. The strike has proved that an oil industry stoppage is a powerful weapon in a long campaign against a government in Nigeria but alone cannot bring down a determined regime.

The multinational oil companies successfully replaced strikers at the oil fields with senior management or expatriates usually employed in other jobs, and the government was prepared to accept a 25 per cent drop in exports for the foreseeable future, despite the effect on Nigeria's balance of payments and the long-term damage to the oil industry's investment and production capacity caused by the stoppage.

Mr Abiola's future obviously remains in doubt. He has been in detention since his arrest in June for declaring himself president on the anniversary of his unofficial victory in the 1993 presidential election. He faces charges of treason. Fears about Mr Abiola's health led to repeated demands at the weekend that he be allowed hospital treatment.

Islamic leader offers Algerian truce

By Francis Ghiles

Contacts between Algeria's military leaders and the outlawed Islamic Salvation Front appear to have been stepped up following the offer of a truce by one of the two paramount FIS leaders, Mr Abassi Madani, in a letter to the head of state, General Liamine Zeroual.

This is the first time an FIS leader has suggested a truce could help create a climate in which FIS conditions for peace talks could be discussed. General Zeroual has said he is keen on creating a dialogue among all Algerian parties which "reject violence".

FIS conditions include the release of all members of the its ruling council held in Algeria and permission for those in exile to return, and the guarantee that they can meet freely in Algeria with the Islamic Salvation Army, the FIS armed wing.

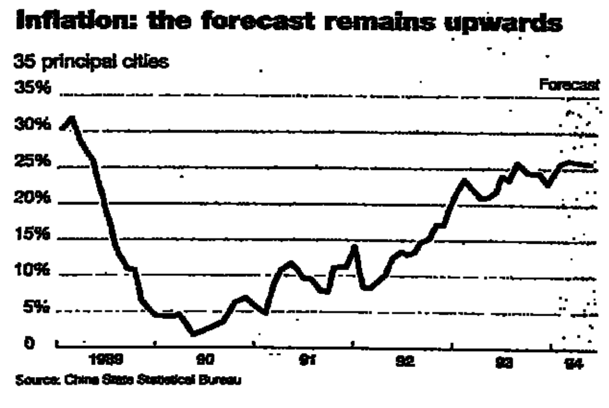
According to the Algerian daily newspapers Liberté and El Watan, General Mohamed Betchine – secretary general of the presidency, former head of military security and one of General Zeroual's most trusted advisers – visited Mr Madani in Blida prison a few days ago. There are also persistent rumours that Mr Jamel Ould Abbas, president of the foreign affairs commission of the National Transision Council, an body appointed by General Zeroual earlier this summer, has held meetings with FIS representatives in Lausanne, Switzerland.

The spokesman for the FIS in exile, Mr Rabah Kebir, recently acknowledged that a number of their armed supporters in Algeria are moving over to the much more radical Islamic Armed Group (GIA), which has claimed responsibility for the killing of most of the 60 foreigners murdered in the past 12 months. He has warned that the violence in Algeria, which is claiming an estimated 300 lives every week, is bound, in the absence of a dialogue, to get worse.

China's leaders struggle to keep rampant inflation under control

By Tony Walker in Beijing

Inflation: the forecast remains upwards



Source: China State Statistical Bureau

China faces a formidable task bringing inflation down to manageable levels this year and has no chance of achieving its revised target of 13 per cent for the year, according to western economists in Beijing.

Economists are forecasting retail price rises of 19-20 per cent for the year, and urban cost of living increases of 22-24 per cent, compared with a national retail price index rise of 13 per cent in 1993 and cost of living rise of 19.8 per cent in the major cities.

China's leaders announced last week that fighting inflation would be the government's main priority for the rest of the year. They also foreshadowed a slowing of economic reforms such as attempts to rationalise state-owned enterprises, many of which are virtually bankrupt.

Premier Li Peng, in his work report in March to the National People's Congress, the Chinese parliament, set 9 per cent as a target for retail price rises this year, but that figure has since been revised to 13 per cent.

The government also has little chance of keeping to its economic growth target of 9 per cent for the year. Economists expect real GDP growth to average 11.5 per cent this year.

Fears of social unrest fuelled by rising prices and lay-offs from state factories prompted a high-level review of economic strategy. Thousands of workers have either lost their jobs or are living on subsistence wages following the imposition of a credit squeeze last year.

Chinese leaders have been walking a tightrope in their efforts to maintain high rates of economic growth to absorb the unemployed, while at the same time seeking to keep inflation in check by restraining growth in money supply and tightening credit.

Resurgent inflation in June and July pushed the leadership into more decisive measures, including a freeze on price increases on services such as transport and electricity for the rest of the year. Local leaderships were put on notice that they would be held responsible for discouraging price rises.

"The ability of local governments to control the retail price index and consumer price index will be used to assess their achievements and will be made public every month," said a circular by the State Council, the cabinet, published by People's Daily, the communist party newspaper.

According to a survey of price movements this year conducted by a western embassy in Beijing, the monthly inflation rate in June and July picked up to more than 3 per cent compared with a slowing in the rate of increase in previous months to 1 per cent.

In July, the national retail price index was 21.4 per cent higher than a year earlier, while the urban cost of living was 24 per cent higher. Annualised retail prices in the first seven months of this year rose by 20 per cent. In major cities the rate of inflation exceeded 25 per cent.

Western economists attributed the reversal of inflation trends in June and July to an easing of credit in the second quarter in response to a clamour for assistance from failing state enterprises.

Credit and deposit balances of the banks increased in May-June and the money supply expanded. At the end of June the amount of money in circulation was 19 per cent higher than at the beginning of the year.

Capital spending leapt in July. It was 73 per cent higher than in the same month last year, and surged by 29 percentage points over June. A binge in investment in fixed assets last year was one of the main cause of inflationary pressure that built up through 1993.

Economists doubt that price constraints will be effective over the longer term. Food price subsidies are regarded as "short-term palliatives" and ones that will bring their own problems as they will add to the budget deficit.

Falling producer prices - prices of steel and other raw materials were down sharply this year - suggest there may be an easing of cost pressures in the latter part of this year. However, promised wage rises in the second half of the year will counteract this trend.

Pressures on food prices - the food price index rose by 31.9 in the 12 months to July - are likely to continue. Severe flooding in China's southern provinces and drought in the north have resulted in major crop losses.

Possible further increases this year in grain prices to improve returns to a restless peasantry would jeopardise anti-inflation measures.

The government raised the price of grain by more than 50 per cent to consumers this year, and this was a major cause of the jump in the food price index.

China's leaders face a testing six months. There are no easy choices as they seek to balance a commitment to reform with a perceived political need to check inflation.

Western officials have no doubt that if measures announced this week to restrain price increases fail, the authorities will resort to more draconian measures such as a return to rigid price controls on staple commodities.

NEWS: INTERNATIONAL

Mark Nicholson finds the United Nations population and development gathering confused, chaotic and costly

Cairo cobbles together a conference - at a price

Diplomats gnashed their teeth, United Nations officials wore a tired air of resignation, journalists fumed and sweltering delegates inched their way painstakingly through a glacially slow registration procedure – but the biggest international conference to be hosted by the Egyptian capital was up and running. Just.

It has proved, according to United Nations conference organisers, one of the most nerve-jangling exercises in just-in-time management in their experience. "In 20 years of attending and organising international conferences," said one senior official, "I have never seen such chaos."

UN organisers began arriving a week ago to find empty offices where they expected to find desks, chairs, telephones, faxes and photocopiers. Hundreds of local staff had not been hired. Telephone lines out of the press centre were hooked up only two days ago.

But by yesterday, for all the gripes of organisers and some major outstanding difficulties, some UN officials were privately voicing a stunned awe at the conference hosts' ability to throw it all together, more or less, at the last moment.

Some glitches remained. Like the fact that there were no telephone lines *into* the press centre to serve a world of anxious news editors. Reporters from Associated Press were none too impressed to find that the office they had rented for $7,000 had been locked up and declared out of bounds for security reasons.

Late-arriving NGO representatives, meanwhile, were grinding through a registration procedure averaging five delegates an hour: a combination of there being too few computers, just two photo-ID machines to process around 4,500 delegates and some fairly grave problems with the spelling of names.

But inside the palatial Chinese-built conference centre 15,000 delegates and representatives ebbed and flowed in purposeful confusion from makeshift offices and halls which will host 100 meetings daily.

In what appeared an attempt to lend the affair a subliminal tone of calm and majesty, dozens of computer terminals ranged around the conference centre blared out an endless loop of the March of the Slaves from Verdi's Aida.

In what, at the same time, appeared an attempt to give the delegates some sense of urgency, a digital Population Clock in the centre's foyer relentlessly ticked up the growth in the world's population, which at noon yesterday was 5,657,178,226 and rising faster than a person a second.

Outside, Cairo has been transformed. Security precautions are extraordinary. White-coated police ring the conference centre at 10-metre intervals and virtually line the main routes to and from hotels. Anyone carrying a bag of any sort down the 2kms of the Nile corniche in central Cairo is searched. There is at least one security officer on duty for every delegate.

This vast and filthy city has also been given an unprecedented facelift. Statues have been dusted, every single kerbstone along the main routes has been painted black or white, flyovers have been repainted, roundabouts grassed, a whole population of men with brooms has emerged from nowhere to populate the roadsides.

Quite how much this is costing the Egyptian government is a matter for conjecture. How they might be financing it, however, is perhaps less so. One of the chief complaints of UN organisers, diplomats and others at the conference is that the government appears to have taken every opportunity to raise as much money from the event as possible.

They cite as examples the fact that hotel rates have been fixed at $145 a night at all the main hotels, well above the standard Cairo hotel corporate discount rate of $80 the organisers had hoped for. Hoteliers suggest at least 25 per cent of this goes straight into government coffers. Organisations renting office space have been charged $10 a day to rent such things as bookshelves and wastepaper bins. Only an outcry forced the caterers to abandon charges of $8 for a sandwich.

A state department booklet offering orientation and security advice to visiting Americans stated that US delegates should watch out for "scams and rip-off schemes", saying these "often consist of overcharging for merchandise purchased or services rendered" – did this apply to the conference itself, asked one uncharitable US visitor.

Youthful Brazil faces problems of old age

Life expectancy is rising while the birth rate is continuing to fall, writes Angus Foster

Brazil looks set to enter the next century with 40m people "missing". According to projections made in the 1970s, its population would reach 212m by the year 2000. But according to latest predictions, the total will be far less, probably 172m.

The reasons for the sharp slowdown in population growth are also seen in other Latin American countries. They include a drastic fall in female fertility rates, mainly due to increased use of contraceptives and rapid urbanisation. The consequences, which include an ageing society and serious strains on social and employment needs, have not yet been addressed.

"It is the population above 65 which will grow the most in the next decades. Brazil will have to live with this phenomenon, which is well known in developed countries, without having overcome typical problems related to under-development," says demographics professor José de Carvalho.

Brazil's population change started in the 1940s. Improved medical and basic services led to falling mortality rates. Fertility rates remained high until the end of the 1960s, leading to rapid population growth and a society with more than half its members under 20 years old.

It also encouraged a belief, still held by many today, that Brazil was blessed with an eternally young and fast growing population. At the first international population conference in Bucharest in 1974, Brazil's population was 100m and expected to double rapidly.

But the female fertility rate – the average number of births per child-bearing woman – began a startling fall from 5.8 in 1970 to 4.3 in 1975 and 3.6 by 1984. In a recent study of São Paulo state, Brazil's richest, the fertility rate was 2.3, in line with some developed countries.

The fall was partly due to rising education and urbanisation, as families moved from agricultural to industrial jobs. But the main reason was increased access to, and demand for, contraception. By 1986, 66 per cent of women of child-bearing age said they were using some form of contraceptive. Of these, about 40 per cent had been sterilised and a further 40 per cent used the pill. By 1990, contraception use had risen to 69 per cent.

These rates are high, considering Brazil is the world's largest Catholic country with a still conservative church hierachy. Abortion is illegal unless the woman has been raped or is in medical danger.

Officially, the church promotes the Billings method, which teaches couples to avoid sex during ovulation. But very few couples obey, suggesting the church is, unofficially, more liberal than it appears or losing its sway.

Padre Antonio Carlos Frizzo, whose parish is in the poor suburbs of São Paulo, says couples must choose. "If a couple asked advice on sterilisation, which is rare, I would take into account their economic situation and number of children, the love between them and whether another method is possible.

The over-65s are set to grow the fastest

"But the couple must decide, and that's something we should not and cannot try to stop. And their decision has to be supported, too. This might be criticised in the Vatican, but we are dealing with people in real situations," he says.

The increasing demand for sterilisation has a startling side-effect – it has helped make Brazil the world leader for caesarian births. These account for roughly one in three deliveries, about twice the rate for England and Wales.

The reasons are complex. Some women think caesarian section a "modern" way to give birth, a view hospitals encourage, while others fear the pain involved in vaginal deliveries. Another reason is that when giving birth by caesarian, a woman can request to be sterilised at the same time and the government pays. Outside pregnancy, women have to pay to be sterilised, usually at semi-legal clinics.

The declining birth rate will transform Brazil over the coming decades. Population growth, which in the 1970s was 2.4 per cent, has fallen to 1.9 per cent and is still declining.

Today, 35 per cent of the country's 157m population is under 15 years old. By 2020, the percentage will have fallen to 24 per cent. By about 2040, with a rapidly aging society, the population will reach about 220m and stabilise or even fall.

This prompts the church and other anti-abortion groups to argue that population control is now obsolete in Brazil, especially given the country's undeveloped agricultural land. A more stable population will also allow better government planning. In the past, rapid population growth in cities, for example, has prevented governments developing long-term urban plans.

But the changes will also provide some sobering challenges. The number of people of working age is set to grow 2.4 per cent a year for the next decade, adding to pressures on the economy to create jobs.

The social security system, established when the average age at death was 45, must be reformed to cope with life expectancies of 64 and 69 for men and women respectively.

The country's under-funded public health system must emphasise preventative medicine if it is to cope with the increasing demands of an ageing population. Finally, the growing number of elderly from smaller families will need extra services.

Unfortunately, Brazil does not seem greatly aware of these challenges. Because of the government's economic problems, the 1990 census was postponed to 1991. After further spending cuts, only basic findings are available.

US Vice President Al Gore arrives on crutches for the conference with his wife Tipper

Bhutto defies Islamic protests

By Farhan Bokhari in Islamabad

Ms Benazir Bhutto, the Pakistani prime minister, left for Cairo yesterday to attend the UN population conference, defying intense lobbying by Moslem activists wanting her to stay at home.

The Pakistani government said Ms Bhutto would play an important role in presenting Islamic countries' views: "She will make a very strong statement in which she will reject proposals that are against Islam and will present the point of view of the Moslem countries."

For the past week, Pakistan's well organised Islamic activists have been worried that international efforts such as the UN conference would impose an "un-Islamic" agenda around the world. Last week, legislators belonging to Islamic parties rose in protest during a session of parliament and demanded that the government boycott the conference.

The protesters believe such issues as sex education, homosexuality, abortion on demand and pre-marital sex will gain global legitimacy through recognition in a final conference document.

Some government officials were worried that Islamic groups – many of whom also oppose Ms Bhutto in the belief that a woman cannot lead an Islamic country – may try to use the issue to stir opposition against her government. Last week, a prominent religious scholar was quoted as saying that if Ms Bhutto went to Cairo, religious parties may support an anti-government campaign by opposition groups next week.

The debate over Ms Bhutto's Cairo visit has drawn attention to one of the country's most controversial problems. Many officials believe the 3 per cent a year population growth has hampered economic growth. High population growth is also blamed for the government's poor performance in improving literacy, health and welfare.

MoD faces £500m gap in budget

By David Owen and John Willman

The Ministry of Defence faces a £500m gap in its budget next year if it cannot resolve problems which are dogging a scheme to transfer servicemen's quarters to the private sector.

The ministry will be forced to look for savings elsewhere in its budget, including scaling back its procurement plans if the scheme fails to take off. The Department of Trade and Industry is monitoring developments because it is concerned that UK defence companies could suffer if there are further cuts in the MoD procurement budget.

Mr David Hart, a wealthy businessman who is a close friend of Mr Michael Portillo, the employment secretary, has been brought in to advise on raising the money needed to finance the transfer and modernise the housing stock.

The scheme – unveiled in March and described by Viscount Cranborne, then defence minister, as "a sort of finance lease" – involves creating a non-profitmaking housing trust to own and manage the homes.

For the housing project to deliver the savings projected for the defence budget in 1995 and 1996, it would have to be in operation within the next 12 months. However, it is thought that the ministry has not received any firm commitments from housing associations or the private sector to get the scheme started.

Under the plan, 68,000 armed services married quarters personnel would be transferred to the housing trust under 30-year leases. The trust would be independent of the Ministry of Defence, but would contract with it to provide accommodation for married service personnel and to improve its quality. Capital for the deal would be raised in the City of London, secured against the future stream of rental income.

Although there has been a good deal of interest in principle among potential lenders, aspects of the proposals have provoked concerns which the ministry is yet to overcome.

Much of the property is in poor condition and located near military bases, rather than in towns and cities where it could be more easily sold or rented if it is not needed. Some of it is inside secure areas, which restricts its use to defence personnel.

Doubts have also been raised in the housing association movement over the capacity of the markets to raise an additional £500m a year. Associations currently raise around £1bn a year to top up government grants for building low-cost homes. With concern over the supply of funds in the future, the Housing Corporation, which distributes the grant, has been trying to attract foreign investors.

Potential investors are thought to have been asked to accept a 30-year estimate of the likely cost of upgrading the accommodation – a proposition which some are said to have regarded as taking on an unacceptable degree of risk.

Mr Hart, a political adviser to Mr Malcolm Rifkind, defence secretary, is helping to devise a plan that meets the government's objectives.

Survey finds wider gap between rich and poor

By John Willman, Public Policy Editor

Poverty in Britain's cities has become increasingly concentrated in small pockets of deprivation, two reports published today by the Joseph Rowntree Foundation say.

The social research organisation says that the gap between the richest and poorest neighbourhoods in cities widened between 1981 and 1991.

Most cities have areas where low incomes, unemployment and low levels of car and home ownership are becoming the norm. These are often close to more prosperous areas where people own their own homes and many households have two incomes and two cars.

The areas of intense poverty are mostly in the northern cities and inner London, according to an analysis of data in the 1991 census. But less localised poverty is spread over most old industrial areas such as the south Wales valleys, northern England and central Scotland.

Pockets of wealth are found throughout Britain, with the greatest concentration of prosperous neighbourhoods in the south-east.

A second report, comparing Oxford in central England and Oldham in the north-west, says that even prosperous cities like Oxford have council estates with marked levels of poverty.

A quarter of the population of both towns receive means-tested benefits to top up their income. The number of low-income families grew rapidly between 1991 and 1993.

The Geography of Poverty and Wealth 1981-1991. Increasing Polarisation Between Better-Off and Poorer Neighbourhoods in Oldham and Oxford. Joseph Rowntree Foundation, 40 Water End, York YO3 6LP.

Directors sound warning on rates

By Alan Pike

A warning that higher interest rates would damage economic growth was sounded by the Institute of Directors yesterday ahead of Wednesday's monthly economic meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

Mr Tim Melville-Ross, director-general, announcing the results of the institute's bimonthly business opinion survey, said that although the economy was growing quite strongly uncertainty continued among his members. "With inflation at such low levels, there is no case at present for a damaging increase in interest rates," he said.

Summer speculation about an early interest rate rise abated after announcement of a fall in the underlying rate of inflation from 2.4 per cent in June to 2.2 per cent in July. Although the Bank of England has warned that the government's targets for reducing underlying inflation would be at risk without a base rate increase in the next few months, analysts do not expect this week's meeting to spark an immediate change.

Mr Melville-Ross said there were few signs of higher inflation in the pipeline and if exports rather than consumer spending continued to provide the impetus for economic growth "it could be next year before the situation warrants a base rate rise."

The institute's survey found 76 per cent of directors feeling that their companies were doing well or very well, although this was down slightly from 79 per cent in the June survey. There was a fall in the proportion reporting improved volume and profit. The falls were from 70 per cent in June to 63 per cent in August for volume, and from 62 per cent to 54 per cent for profit.

The proportion of respondents feeling more optimistic about the economy nudged up from 44 to 46 per cent. Signs of economic growth were given as the main cause of optimism, while political uncertainty was the biggest inhibiting factor.

● The Finance & Leasing Association says heavy discounting in the summer sales produced a slackening of consumer credit in July.

The association says in its monthly consumer credit and business finance report that although consumers used credit in the sales, it was to buy heavily discounted bargains.

As a result consumer credit of £1.276bn in July was 7 per cent down from June.

Support for rail workers

By Robert Taylor, Labour Correspondent

Britain's striking signal workers will receive massive support this week from the Trades Union Congress, whose annual conference opens in Blackpool today. Union leaders were rallying around the RMT transport union's cause last night.

"This is a thoroughly modern strike," said Mr John Monks, the TUC's general secretary. "It is fully balloted, fully legal, overwhelmingly supported by signal workers and strongly supported by the public."

"There are people who are trying to divide congress by saying the RMT's strike is a throwback to old-fashioned trade unionism and at odds with what the new TUC aims to do. They are wrong."

He added: "People who say that strikes like this should be a thing of the past are right. But that's a message for the government and Railtrack. It is only a bad employer – in this case backed by a hostile government – who can't settle differences with their employees by negotiating fairly and openly.

Mr Jimmy Knapp, RMT general secretary, told the rally that Railtrack chairman Mr Robert Horton should stop his threats to dismiss striking signal workers.

Aslef, the train drivers' union, is to move a motion calling for an immediate public inquiry by the Health and Safety Commission into the safety aspects of the dispute. The conflict will be debated by delegates on Thursday when the next 24-hour strike by signal workers is to take place.

Britain in brief

Computer spending grows 15%

UK companies have increased their spending on computer systems far beyond corporate projections of a year ago, according to the annual Price Waterhouse information technology review, in a further reflection of rising business investment confidence.

The review, based on a survey of 1,000 information technology executives, indicates that IT spending rose by 15 per cent last year across the corporate sector, a sharp increase given the low inflation rate. At the start of 1993 executives were predicting a rise of only 0.2 per cent.

Executives projected that their IT spending would fall 2.6 per cent this year, however. This raises doubts about the sustainability of the investment recovery, although Price Waterhouse notes that in recent years "the panel has consistently underestimated the coming year's growth".

The survey reflects the marked trend away from mainframe-based systems to new designs based on networks of personal computers and mid-range machines called 'servers', with 58 per cent of organisations claiming to have some form of client-server network.

Support for unions grows

As many as 89 per cent of people surveyed in a poll commissioned by the Trades Union Congress believe trade unions "are necessary to protect people's interests at work".

The figure represents a substantial increase on the 79 per cent who agreed with that statement last year.

Fifty eight per cent opposed any further government laws "to restrict the powers of the trade unions" with 35 per cent backing that suggestion. The survey was based on 1,004 interviews by telephone between August 19 and 21.

In a second survey of 500 trade unionists, also commissioned by the TUC, 58 per cent said their job had grown less secure in the last two years and 42 per cent said they were being treated worse by their employer than two years ago.

Smaller loads for Transrail

The biggest of three British Rail freight companies being prepared for privatisation launches its operations today with a fresh livery and a new service to attract smaller loads off the roads.

Transrail, which specialises in the distribution of bulk freight such a coal, steel and building materials, is creating two "motorways" to take loads overnight between London and Scotland and between the north-east of England and the south-west.

The service, dubbed Enterprise, is expected to be competitive with road haulage for as little as 50 tonnes. At present the minimum viable load is about 1,000 tonnes.

Transrail, which is expected to be sold late next year or early in 1996, expects Enterprise to absorb more than 100,000 lorry journeys in its first year.

The service will be available between Kent and Aberdeen, guaranteeing the arrival of overnight loads in Aberdeen by 9am. The second route will run between Cornwall and Teesside.

Trade union near collapse

Efforts to rescue Ucatt, Britain's biggest construction union, from the brink of financial collapse are being stepped up amid fears that the union's troubles could precipitate a wider crisis of confidence in the trade union movement's finances.

Unity Trust Bank, the trade union bank, is working closely with H.W. Fisher, Ucatt's accountants, in the hope that agreement can be reached by the end of the month on a drastic cost-cutting package that would include staff redundancies and the sale of union offices.

Ucatt's perilous finances are causing deep concern throughout the trade union movement and Mr John Monks, general secretary of the Trades Union Congress, is keeping in close touch with events.

Writ names Saunders

Mr Ernest Saunders, the former Guinness chief executive, who was released on parole for his part in the Guinness affair three years ago, has been named on a writ as marketing adviser to a troubled publishing venture. Mr Saunders was released from jail the Court of Appeal was told that that he was suffering from pre-senile dementia, a condition resembling Alzheimer's disease.

Mr Saunders is being sued in a legal battle between the two partners in a joint venture called Retail Revolution, which planned to launch 30 magazines to be sold exclusively through petrol stations.

Revenue to increase access

The Inland Revenue plans to merge its five computer systems and allow more of its staff to gain access to taxpayers' personal records, moves which have sparked concern in the main civil liberties pressure group.

It will also provide additional details to the Department of Social Security about employers who are potentially liable for national insurance contributions.

The changes to computer systems come as part of the Revenue's "change management" programme, which includes ambitious modernisation of its computer systems and greater responsiveness to taxpayer demands.

Staff at Revenue tax inquiry *offices around* the country – and others who answer taxpayer telephone inquiries – will for the first time be able to gain access to all personal tax information.

Mr John Wadham, legal director of Liberty, formerly the National Council for Civil Liberties, said yesterday that he was concerned about the moves.

Teleworking, although popular in the US, has been slow to catch on in Europe, writes **Vanessa Houlder**

When the office is the dining room

As the UK rail strike moves into its 13th week, it is taking an increasingly heavy toll on British businesses. Like January's Californian earthquake and past bomb explosions in the City of London, the strike is encouraging companies to consider promoting telework in order to reduce their dependence on commuters.

Teleworking, the practice of using computers and telephone links to work away from the office, inspires grand claims from its advocates. In a recent newspaper advertisement exhorting companies to introduce teleworking to overcome the rail strike, one British consultancy claimed that the practice "not only overcomes the immediate transport problem . . . it will increase productivity by around 45 per cent".

The supposed ability of teleworking to increase productivity, along with other benefits such as reducing road traffic and creating a more flexible workforce, has won it influential support. The European Commission, which is promoting it as part of its measures on growth, competitiveness and employment, believes that Europe could potentially have 10m teleworkers.

Optimistic forecasts about teleworking's potential have been made for 20 years, since before the technology actually existed to make it possible reliably and economically.

Yet, even now, the uptake of teleworking is patchy. Although the technological obstacles have been overcome, it is seen by employers as being difficult to manage, while employees worry that their career prospects will suffer if they are not seen in the office.

In the US, where the Clean Air Act has forced employers to reduce commuters' car emissions, an increasing number of employees are being encouraged to spend some or all of their week working at home. The Institute for the Study of Distributed Work, based in California, estimates that between 4m-5m people, or 3-5 per cent of the US workforce, are teleworkers.

In Europe, however, the introduction of teleworking has been relatively slow. In the UK, a recent Department of Employment report cast doubt on the notion that it was "slowly but inexorably growing". Although one in 20 organisations employs at least one teleworker, fewer than one employee in 200 is a genuine teleworker, it said.

This figure excludes self-employed homeworkers and people who spend less than half their time working from home. Nor does it include staff who spend most of their time with clients while using telecommunications to keep in touch with the office. This approach, used by companies such as IBM and Arthur Andersen, allows employees to use a limited pool of desks when in the office – a practice known as "hot-desking".

A Department of Trade and Industry study published early this year argued that the slow speed at which teleworking has been adopted meant that "the UK and the rest of Europe as a whole are net losers of jobs and trade both to the USA and to developing countries".

The uneven take-up of teleworking can partly be ascribed to the recession. Interest in teleworking increased in the late 1980s, when it was viewed as a way of retaining scarce skilled workers. This became less of a factor during the recession, leaving much of the expansion of home working to the ranks of the self-employed and those who work from home on an informal, occasional basis.

Indeed, many companies that pioneered teleworking have stopped their schemes completely. The Department of Employment's report said that "we were surprised by how many [organisations that used teleworking in the past] had since given up the practice". The reasons given by these companies included job cuts, the departure of the manager who initiated the scheme, the lack of success of the scheme and changes in the circumstances of employees or the company.

For example, FI Group, the computer services company which pioneered British home-working in the 1960s, has stopped the practice completely.

This change was precipitated by FI taking on larger projects, which required greater teamwork. "Because of the complexity of the projects we are working on, we need large, closely knit teams which can work around the clock," says Rosie Symons, one of FI's managers.

Rank Xerox also once associated itself closely with teleworking – to much public relations acclaim – but has now dropped the practice. Its "networking" experiment in the early 1980s involved employees leaving the staff and working on a self-employed basis, with guaranteed work from the company for a period of time. The networkers kept in touch with Rank Xerox via computers and a telecommunications link. But although the experiment suited the company's particular needs at the time, it was not extended to its regular staff.

The fear that teleworking is a back-door route to redundancy has slowed its take-up during the recession. But over the past year, the subject has been re-established on the agenda of large companies, according to Noel Hodson, director of SW2000, a teleworking consultancy.

He attributes this resurgence in interest to the growing burden of commuting, the sharp drop in the cost of equipment, and the economic benefits of teleworking that stem from the retention of trained workers, increased productivity and reduced office overheads.

In Britain, Digital Equipment, the US computer company, saves £20m a year in office costs as a result of introducing flexible working practices for 2,500 of its 4,000 employees over the last eight years.

This summer it opened a telecentre in Newmarket, the headquarters of its East Anglian operation, which occupies a tenth as much space as its former offices in the town. The telecentre will house just nine staff, working in secretarial or administrative roles. The sales, consulting and customer service staff work from home, their cars, or occasionally from other Digital offices.

But Digital believes that the weak state of the property market may prevent it from disposing of unwanted buildings and so fully realising its planned cost savings.

After property savings, productivity gains are usually cited as the most powerful benefit from teleworking. As well as taking less time travelling and gossiping, staff who work at home are usually found to take less sick leave. When the City of Los Angeles set up a teleworking project after January's earthquake, it found that the staff involved were 12.5 per cent more productive than they had been previously.

But productivity claims should be treated with caution. Ursula Huws, the author of the Department of Employment's report on teleworking, points out that teleworkers are selected because they are trained, responsible and productive. "Having selected those people, it is not surprising they are more productive," she says.

The financial and productivity gains from teleworking are tempered by obstacles such as the risk of diluting the company's corporate identity in the eyes of employees and customers, senior managers' mistrust of technology, and concern about the security risks arising from the transmission of confidential files.

But perhaps the greatest problem concerns the management of teleworkers. This difficulty is most acute for managers who are accustomed to monitoring their staff closely, rather than setting targets and monitoring results.

This issue was highlighted in a recent report by the Conference Board, a New York-based business membership organisation, which found that teleworking had been adopted by only 1 per cent of the employees working for companies that offered schemes involving it. Some 75 per cent of the companies surveyed said the greatest hurdle in a teleworking programme was convincing managers that employees can be productive and properly supervised when they work from home.

The low take-up of teleworking in companies with teleworking schemes also points to some ambivalence on the part of staff.

In some instances, teleworking has brought employees considerable benefits. One case in point is John Ruscoe, a 42-year-old programmer working for ICL, who now lives on a farm on Orkney, off the north coast of Scotland. The teleworking option, which has been embraced by 300 of ICL's staff, allowed him to abandon his 90-minute-long commute from his previous home to Manchester each day. "I seem to have the best of both worlds," he says. "I earn a Manchester salary and live in a nice, rural environment."

Many individuals with young children are also grateful for the opportunity to work from home, although they are unanimous that it is not a substitute for child care.

Yet teleworking does not always work out well for the employees. A report by the Science Policy Research Unit into teleworking last year chronicled numerous problems, including isolation, family strife and the feeling that home is no longer a refuge from the office. "Unless you are physically out of the house, you haven't left work," said one interviewee.

The experience of teleworkers depends largely on the way they are treated by their employers, according to Huws. She believes that middle managers or professionals who are highly valued by their employers often enjoy teleworking because they continue to feel integrated into the corporate culture. Less privileged workers doing relatively low-grade jobs often suffer from isolation.

Even those employees who embark on teleworking often find it is not for them. Hodson has found that after a few months of a teleworking experiment, more than half of those who volunteer for the scheme are likely to want to return to the office.

A teleworker's potential problems are numerous, including loneliness, distractions from neighbours and family, fear of missing out on promotion opportunities and lack of self-discipline.

These difficulties suggest that companies wishing to make teleworking compulsory will meet resistance from their workforce. Even enthusiasts often find they want to return to the office at some stage, for instance when their children have grown up. "There are stages in peoples' lives when it suits people to work from home but very few people want to do it all their lives," says Huws.

The problems experienced by teleworkers can often be overcome by encouraging them to come into the office regularly to keep in touch with other staff; this was one of FI's early discoveries. "It is a vital part of flexible working to have a social centre", says Stephen Jupp, a consultant at Digital.

Teleworking schemes that require staff to work in isolation need sophisticated management if they are to retain employees and increase the employer's competitiveness.

"There are virtually no technological barriers, no legal barriers, no cost barriers to having people working from home," says Huws. "The barriers are human ones."

DESERT ISLAND MANAGER

Sir Richard Sykes

Yorkshireman Sir Richard Sykes prefers to relax on mountain walking holidays rather than by the beach. Nevertheless, the chief executive of Glaxo, the world's second biggest drugs company, relishes the prospect of being marooned on a desert island. He is one of the few scientists who have fought their way to the very top of the drugs industry.

Could you carry on your business from the island?
I might even have a clearer idea of the business than from here in Berkeley Square. I would need telephones, fax and a notebook computer, then could comment on and make decisions from the island. With the extra time I had, it could add up to even better decision-making.

Who would you take with you?
An astronomer. I've always been fascinated by the stars. With those long evenings and clear skies, what a perfect opportunity to study the stars.

What would you take for sustenance?
As a variation from the plentiful fish, I would like to take dried pasta and porcini. They are preserved and should last a while. And to drink, a few crates of Brunello. It would be too difficult to cool any white wines.

Any entertainment to accompany the food and wine?
For music, I would like to take Brahms' four symphonies conducted by Toscanini. He is incomparable. There was a wonderful television series called *Search for the Nile* narrated by James Mason. That series would help me associate with explorers and pioneers. And for a book I would take Scott's *Last Expedition*.

Would you become a beach bum?
I'm not the sort of person who would lie around on the beach. I need discipline and would exercise for at least an hour a day. I need to keep in top condition both physically and mentally. I'd need to build that astronomical observatory after all.

How would you keep mentally fit?
Apart from the work running the business, I understand there are some very good bridge and chess programs for computers.

Would you try to escape?
Initially it would be quite nice on the island. But a time would come when I would have to consider alternatives. I'm quite practical and I'm sure I could build what was necessary to leave.

What would you most like about the island?
Solitude. I'd miss my family, but I don't have a problem being on my own. And I would not miss driving down the A40 every day.

What would you dislike about being there?
After a time, it would be that there is no access to culture or to my family.

Are there any conditions you want to impose on your island?
None. It should be a natural island, unspoiled.

Daniel Green

Tired of the sweet smell of success

LUCY KELLAWAY

Why is it, asked the great and the good of the green movement in a letter to the FT last week, that the media spends more time attacking Body Shop than it does all those thousands of companies that could not care less about the environment?

The question makes me feel a little uncomfortable. Over the past two weeks I have been reading the knocking copy about the company that brought us peppermint foot lotion. I have to admit it: I long for holier-than-thou Anita Roddick and her touchy husband Gordon to be taken down a peg or two.

I can neither fully justify my aversion, nor can I lay it to rest. Many of the things Body Shop does – giving employees time off to do voluntary work, offering civilised childcare, buying products from the third world – are admirable.

What gets up my nose is not the sickly smell of the perfumes but the sanctimoniousness of the company's style. Doubtless, I am suffering from the British disease of hating success, yet there is more to it than that. The Body Shop has put itself on a pedestal so high (it is even thinking of establishing a business school, of all self-regarding things) that it is only natural to want to topple it.

In the last 10 years many other companies have taken big leaps environmentally, but their bosses do not tell us about how well they've done as they stride though the jungle waving American Express cards. Neither would they have the brass neck to claim simultaneously that their company never does anything as filthy as advertise.

As for the specific allegations made during the last few weeks, I would not be surprised to discover that they do not amount to much. Body Shop may be a little stingy in the information it provides about its do-gooding, but it is still way ahead of the pack.

The Roddicks are suffering as a result of their own PR. Anyone who shouts so loud about being perfect is bound to be attacked when the slightest thing goes wrong. And when Body Shop comes in for a bit of stick, it would be better advised to be more relaxed in its response. By publishing 32-page rebuttals of allegations before the latter have even been made, and decrying the "zealots of cynicism" that dare to be critical, the company is asking for it. And when it gets it, can we really be blamed for laughing up our sleeves?

Last week was the traditional time for telling colleagues how well they look after their holidays, and for sifting though overflowing in-trays. In mine there seemed to be fewer than usual of the glossy invitations to business conferences. The big organisers gloomily explain that they went into recession a year after everyone else, and it will be at least another year before they start emerging from it.

I wonder if they are being optimistic. It has always been a mystery why companies are prepared to spend £1,000 or so for the privilege of having their managers out of the office for two days. It was all very well in the times when every company had several extra layers of managers that it did not need. But now that everyone is overstretched and under pressure to produce concrete results it is particularly hard to justify two days sitting at a green baize table in the ballroom of a big hotel listening to things about your industry you should have known already.

Most conferences are an inefficient way of disseminating information – the chances of picking up any secrets are nil with the competition sitting listening, too. Regular attendees say that the value is in the networking – but in that case conferences for the mid-1990s should be organised differently, with the formal sessions cut out, and the whole thing abbreviated to a few hours of hobnobbing time. Whether anyone would pay £1,000 for that is another matter.

The same disillusionment does not seem to extend to training conferences and seminars, where there is no limit to the sorts of things people feel the need to learn. The London Personal Development Centre is due to open later this month offering "inspiration, holistic healing and down-to-earth practical skills for individuals and businesses alike". There is a course on Astral Sex and Zen Tea Bags, and another on how to make a drum and use it to get in touch with yourself and your tribe or company. A third, The Power of Dynamic Womanhood, shows women how to win, and invites men along at half price.

The peppermint foot lotion brigade may enjoy some of those seminars; the one that interests me is called "I Love My Job!" It includes a "laughter clinic" and teaches you how to treat work as akin to play. Satisfied customers from this seminar apparently include British Telecom and the BBC – two organisations where morale is so low as to be off the map. Next time your telephone engineer starts humming cheerfully under his breath, or you meet someone from the BBC who is not moaning, you'll know why.

MEDIA FUTURES

DK launches five new titles

Big batch of CD-Roms represents a several million pound investment. **Raymond Snoddy** reports

Dorling Kindersley, the UK publisher which has assembled one of the largest multimedia teams in the world, is about to introduce its first big batch of CD-Rom titles.

The company which won awards for its first title, Musical Instruments, is publishing five titles on September 29. These include The Ultimate Human Body, The Eyewitness Encyclopedia of Science and My First Incredible, Amazing Dictionary.

The launch of so many ambitious "edutainment" titles simultaneously, combining words, pictures, sound, animation and video on a compact disc, represents the fruit of a several million pound investment by DK.

The company, which has built up a 130-strong multimedia team, plans to launch another six CD-Rom titles in the spring and a further six next autumn.

"We are certainly the largest [of this type of company] in Europe," says Alan Buckingham, managing director of DK Multimedia, set up in 1991 to address the emerging market.

Buckingham concedes that this was, to some extent, an act of faith. But he says he never had any doubt about the importance of multimedia – only the timing of its commercial success.

The Musical Instruments CD-Rom has already sold between 60,000 and 70,000 copies, with special editions being created for the French and German markets.

One of the new titles takes David Macaulay's best-selling book, *The Way Things Work*, which has sold more than 2.5m copies, and crams on a single disc more than 1,000 illustrations and 300 animations to explain more than 150 inventions.

At the click of a mouse, Everything from lightbulbs to lasers come alive on screen. The program has a suggested retail price of £79, although CD-Roms are often discounted. A user simply has to click on any words in the text in red to open more than 1,500 screens and pop-ups, and move instantly from an explanation of a machine to a biography of its inventor. CD-Roms can actually show the inside of a four-stroke engine working.

The Encyclopedia of Science (recommended retail price £99) has more than 170 main subjects organised into four major categories – chemistry, mathematics, physics and life sciences – with a Who's Who of science and how they made their discoveries.

Forthcoming titles will deal with topics ranging from nature and world history to electronic atlases and travel guides. Buckingham, who used to be a DK book editor, set out in 1991 with a team of five "to teach ourselves how to make this stuff".

He believes books have to be "reconceived" for multimedia, rather than simply turned into electronic form. The big question for DK, a quoted company capitalised at around £200m and in which US software giant Microsoft has a 20 per cent stake, is how quickly the consumer market for CD-Roms will grow.

The company estimates there are about 80,000 to 100,000 CD-Rom machines in domestic use in the UK but that number could quickly double or even triple.

The market is much larger in the US, and Buckingham believes that, by the end of this year, 10m homes could have a personal computer which can play CD-Roms.

There are even strong signs that from next year most personal computers in the US may be shipped with CD-Rom capacity as standard.

If so that could provide a growing market for titles such as The Way Things Work, Encyclopedia of Science or Stephen Biesty's Incredible Cross Sections Stowaway – "an amazing quest through an authentic 18th century warship!"

Trading begins today in the shares of Advanced Media Group, interactive multimedia specialists. They will be dealt on the 4.2 market, London's newly revamped market for young companies.

The company has placed 400,000 ordinary shares at 110p, valuing the group at £1.3m. AMG is interested in CD-Rom applications in areas as diverse as medical and pharmaceuticals, defence, travel and education.

The company says it has developed software called Visual Data Systems which enables the creation of "virtual travel" around cities, buildings and terrain.

It has also acquired the CD rights to Gormenghast, a cult novel trilogy by Mervyn Peake.

AMG is run by George Macaulay, who has 20 years experience in the computer industry, and the non-executive chairman is Anthony Brook, also chairman of SelecTV.

National security tap dance

Motoko Rich reports on the battle over Internet-based encryption codes

Officials in most countries would agree that the recent spate of plutonium smuggling poses a serious threat to international weapons security, and want to prevent the build-up of nuclear material in the storage banks of would-be nuclear states or international terrorist groups.

In some countries, governments are not just worried about nuclear weapons. They fear that encryption codes – programs for scrambling private messages – can be deadly in the hands of potential enemies.

During World War II the Enigma code, the German encrypting machine, which the Allies cracked and used to eavesdrop on Nazi communications, was a vital key in the Allied victory.

But today, just as plutonium is frighteningly simple to transport in a suitcase, encryption codes are easily transmitted via the Internet, the global computer network, where there are no national borders and no customs agents to stop smugglers.

These codes consist primarily of complicated computer software which scrambles electronic messages and requires "keys" – extended versions of the familiar ATM pin number – to decode them. With the explosive use of the Internet for both personal and commercial reasons, security has become a major issue and such codes offer comfort to users worried about their privacy.

Businesses want such codes to protect their sensitive data. Civil rights advocates argue that encryption codes are essential to guard against unwanted surveillance. Human rights organisations in the former Soviet Union, South America and Burma are said to be using computer cryptography to protect their Internet messages from the eyes of the police.

On the other hand, some governments argue that if encryption codes are widely available on the Internet, any individual or group – including potential terrorists or enemy states – will also be able to protect their messages from national security organisations.

In the US, the government demonstrated this argument in its proposals for the Clipper Chip, an encryption code developed by the National Security Agency which would have allowed computer users to scramble their messages but would also have allowed law enforcement or intelligence agencies to tap in.

But many software authors have developed sophisticated programs which incorporate encryption technology that is virtually uncrackable. It is this technology that governments fear.

In the US, it is against federal law to export strong encryption codes. For the past 18 months, a US federal grand jury in San Jose, California has been investigating whether Philip Zimmermann, author of the computer software PGP – for Pretty Good Privacy – had a role in putting his cryptographic software on the Internet and thus allowed it to be exported.

Zimmermann denies having loaded PGP on the Internet, though he is pleased that the software has circumnavigated the globe and claimed he invented the code in part for political reasons.

"If we allow the government to have the technological power to monitor every movement of the political opposition, then the normal mechanisms we have to change our government may be neutralised," he said

PGP is available commercially in the US from Viacrypt, an Arizona-based software company, for $100. Leonard Mikus, president of Viacrypt, believes the government's efforts to ban the export of PGP, or any similar technology, is futile because anyone could have put it on the Internet. "The information is now available and there is no way to bottle it up," he said. "Anything you do to try to stop it is artificial." He said the US's export ban merely stymied multinational companies which wanted to use US technology to protect their data. Other US firms complain the US law just creates unfair competition because other countries, including the UK, are not as strict in enforcing export laws on cryptography.

Phil Dubois, Zimmermann's lawyer, said he could face a prison sentence of up to four years if he were convicted by the grand jury. But he said he wasn't sure why the government was singling out his client. "The fact is that this sort of software is out on the street in every country," he said. "And it's not just because someone here has broke the law but because everyone else is as smart as us and they have created their own cryptography."

European push for caller-pays pagers

By Andrew Adonis

In the US and Asia-Pacific, pagers are an integral part of the mobile communications sector. The US has 21m paging subscribers, Asia-Pacific 19m, and in some Asian cities pagers are as much a teenage fashion accessories as means of communication.

Western Europe, by contrast, has only 3.2m paging subscribers. Beyond Sweden, few attempts have been made to take the pager into the high street. It remains largely the preserve of the business sector – generally used by companies or organisations that do not want to equip their employees with mobile phones but need them to have some form of mobile communicator.

Almost all European paging operators earn their revenue on the basis of fixed rental charges, often linked to restricted geographical zones. The package is unattractive to personal consumers, who wants low up-front prices and a simple usage package.

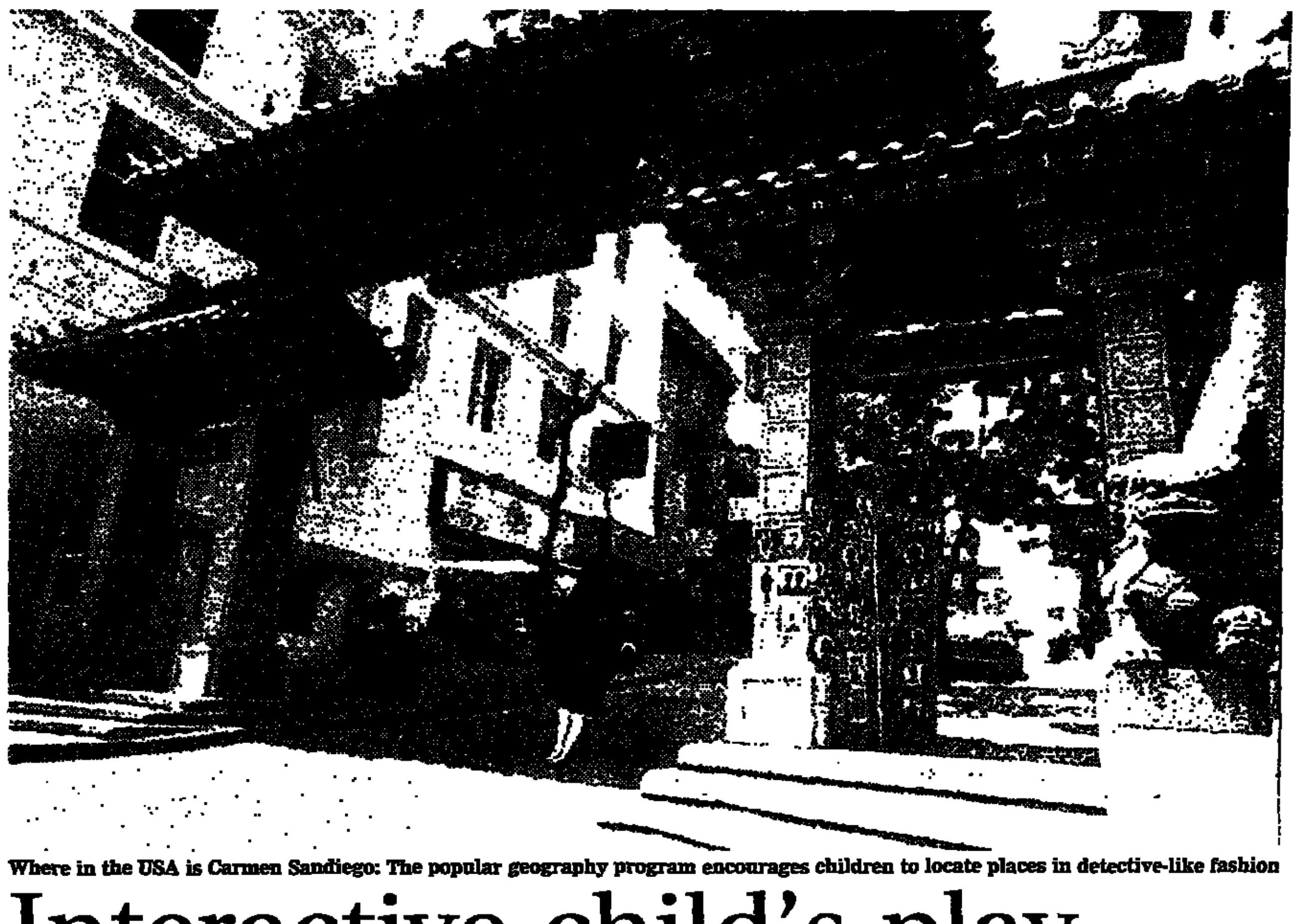
That may be about to change. Sweden is pioneering calling-party pays paging. Pagers are available on the high street for less than $150, with immediate connection.

In the UK, several initiatives are under way. One of the most adventurous is a pilot scheme to make alphanumeric paging available on a straight calling-party-pays basis. Alphanumeric pagers are the most advanced of the range, allowing callers to leave long text and numerical messages displayed on a large screen on the pager.

Student Pager, the private company undertaking the pilot, is launching the service with 8,000 students at the two universities in Nottingham at the start of the coming academic year. The students can hire the pager for a flat fee of £99 to cover their course duration. They can then tap into four channels of information about lectures and student or local events.

They can also receive messages, which callers leave by phoning a Mercury Paging bureau at premium rate. The premium rates are 39p off-peak and 49p daytime, so messages will cost between about 20p and 50p each to leave. The total charge is a fraction of the cost of running a mobile phone.

Student Pager plans to go nationwide next year. Paging operators will monitor its progress carefully: conventional wisdom holds that an alpha-numeric service is too expensive to provide on a calling-party-pays basis unless the charge is higher than standard premium-rate. The problem is bureau costs, which are high – and cannot be avoided given the current state of voice-recognition technology.



Where in the USA is Carmen Sandiego: The popular geography program encourages children to locate places in detective-like fashion

Interactive child's play

Victoria Griffith assesses the boom in learning programs

The advent of CD-Rom and sharply falling prices for powerful multimedia computers have triggered a boom in children's learning programs.

Parents are investing in software and CD-Rom programs that teach their children reading, mathematics, geography, foreign languages and other skills. The programs often include dazzling animation, sound, and motion picture clips to capture the attention of their young users.

The US market for children's educational software and CD-Roms grew an estimated 25 to 30 per cent last year, according to the consumer research group Packaged Facts, and has now reached about $1bn in annual sales.

The number of companies in the market is also increasing strongly, with start-ups like San Francisco-based Big Top Productions now putting out titles and giants like IBM and Microsoft moving in. Microsoft launched a new line of home educational software last year, and IBM, already active in the schools market, hopes to launch products for the home shortly.

Better and cheaper technologies have paved the way for this boom in business. Multimedia computers, powerful enough to store the large amounts of information necessary for capabilities like animation and digitised speech, can now be bought for as little as $1,200.

CD-Rom may be even more important to growth. "CD-Rom is a vital enabling technology," says Harry Wilker, senior vice president of Broderbund, a major learning program producer. "It allows us to deliver inexpensively a lot of stuff – video, sound, and so on – to the consumer."

CD-Rom is prompting especially rapid growth in the preschool market. "Very young children don't have the text and motor skills required to use the older, less sophisticated programs," says Robert Davidson, president of Davidson & Associates, which excels at mathematics programs.

Frustration over increasingly violent video and computer games has also fueled the educational program surge. "There is a backlash against violent games and parents are searching for alternatives," says Hope Neiman, vice president of marketing for Knowledge Adventure, an educational program maker. "The philosophy is that if children are going to play with games anyway, they might as well play with something they can learn from."

The most successful learning programs are convincingly disguised as games. In *Reader Rabbit 1* by the Learning Company, for instance, the animated Reader Rabbit pronounces three-letter words children choose with their mouse on the screen. The popular geography program *Where in the USA is Carmen Sandiego*, by Broderbund, encourages children to locate places in detective-like fashion.

With technologies improving rapidly, the market is set for change over the next few years.

The next step will probably be programs that allow users to connect to other players or databases. Davidson, for example, plans to launch an adult program, *War Craft*, this autumn which can connect two players via a modem. Although the game's title sounds violent, the company says it resembles a game of chess. The company hopes to launch similar products for the children's market soon.

"There is a deeply felt need to socialise through these programs," says Wilker of Broderbund. "The expansion of this to more than one computer – so children in two different households can play with each other – is inevitable." Manufacturers also foresee an onslaught of educational programs that allow users to access databases through on-line services.

Digitised voice and voice recognition technology will play a role in the industry's development. "Voice recognition technology is important for our language programs," says William Dinsmore, president and chief executive of the Learning Company. "In one or two years, we believe it will be a big part of our mix."

While growth has been strong, most people in the industry believe it has a long way to go before it reaches maturity.

With technology improving rapidly, the children's educational sector will probably ride the boom for some time to come.

PEOPLE

Business heart of west Belfast

Mackie International is to be floated in London. Owner Pat Dougan talks to William Lewis about his hopes for a post-ceasefire Northern Ireland

Pat Dougan sees himself as a man on a mission – to bring his children home to Ulster. As owner and chief executive of Mackie International, the precision engineering firm, the head office of which lies between the Catholic Falls Road and Protestant Shankill Road, Dougan believes he and his company are living proof that Belfast's religious divide can be beaten.

By overcoming sectarianism at Mackie – where 380 Catholics and Protestants are working side by side to build a prospering business – Dougan believes it may help tempt home his, and other children, to build a new peaceful Ulster.

"My children all left this country and that is a sad situation," he says. "They were all educated here and then cleared off."

"I have a son in California, a son in the south of England, I have a daughter living in South Africa, a daughter living in the Republic of Ireland and one at university in Dublin," he says. "And mine is probably a good example of families in Northern Ireland."

Dougan was persuaded by Richard Needham, his friend and the then Northern Ireland minister, to come out of retirement and take over Mackie.

Last Friday Mackie announced that it is to be quoted on the UK's Unlisted Securities Market via a placing, a move which will be followed by a full listing for the company on the London Stock Exchange. The company, which specialises in the design, manufacture and installation of textile machinery for a worldwide market, will be capitalised at around £20m. Dougan last week spoke of his excitement at the company's flotation plans and his personal commitment to the peace process in Northern Ireland.

The share placing follows a sharp recovery in the company's fortunes. In 1991 sales dipped to just £6.1m and Dougan says bluntly that the company was "dying". However, this year the company is expected to make pre-tax profits of about £2m on turnover of around £19m.

Flotation will enable Mackie to eliminate debts of £14.3m and help finance a capital spending programme.

The significance of the flotation announcement is clear from the private reaction of many of Ulster's business leaders. One said that he "would pray for Mackie's success and anything which shows the world" that after the IRA ceasefire the region has once again become investment friendly.

Dougan agrees that the company's health is crucial to the well being and future of west Belfast: "This company could become the flagship of west Belfast. If we can demonstrate to US and overseas investors that there is a work ethic here, this will allow us to develop the skills of the community." Improvements in training facilities for local people are already under way with the building of a new university site and training centre close to the Mackie factory.

For Dougan, success at Mackie is his way of "doing his bit". Because of its location in west Belfast, the company has a significance quite out of proportion to the size of its business activities.

"The excitement is of this whole thing going forward. If we can create lots more industry, then the opportunity will be for other families, just the same as my family, to return to Northern Ireland," he says. "I feel I have a contribution to make and I am trying to make it through this."

It is certainly not money which keeps the 61-year-old Catholic happily running a company which has a predominantly Protestant workforce and is situated in one of the most volatile regions of western Europe. Due to the success of Powerscreen International, another Northern Ireland company which was floated and which Dougan chaired until 1990, he now owns about £2m-worth of property and 140 acres of farmland. His current 66 per cent share holding in Mackie will fall to just under 21 per cent after flotation.

Dougan insists he will stay on to "finish the job" at Mackie. "I am very excited by the whole prospect, I do not want to miss the success, and I do not mean in a monetary sense. I want to be here when this thing is a total success."

His declared motives are confirmed by a former colleague. "This man is one of the old-fashioned good guys," he says. "By keeping that company alive, he has done more than any politician to help end the problems in west Belfast."

An adviser to Dougan says he is a "truly dynamic individual who would think nothing of getting on an aeroplane to Africa to clinch a deal. I find him exhausting, he never stops".

Dougan says that "the World has always been the place I have sold my wares in". He sleeps four hours each night and works a 12-hour day, arriving at the office each morning in time for a 7am start. Such high energy levels will undoubtedly be needed to persuade City investors to put money into a company situated in an area which many of them would not even dare visit. And not without good reason. On Wednesday night, less than a mile from Mackie's factory in Springfield Road, Republicans welcomed in the IRA's ceasefire by virtually laying siege to the local RUC police station. Eventually the crowd dispersed but it was a clear reminder of how tense and volatile the mood of the local community still is.

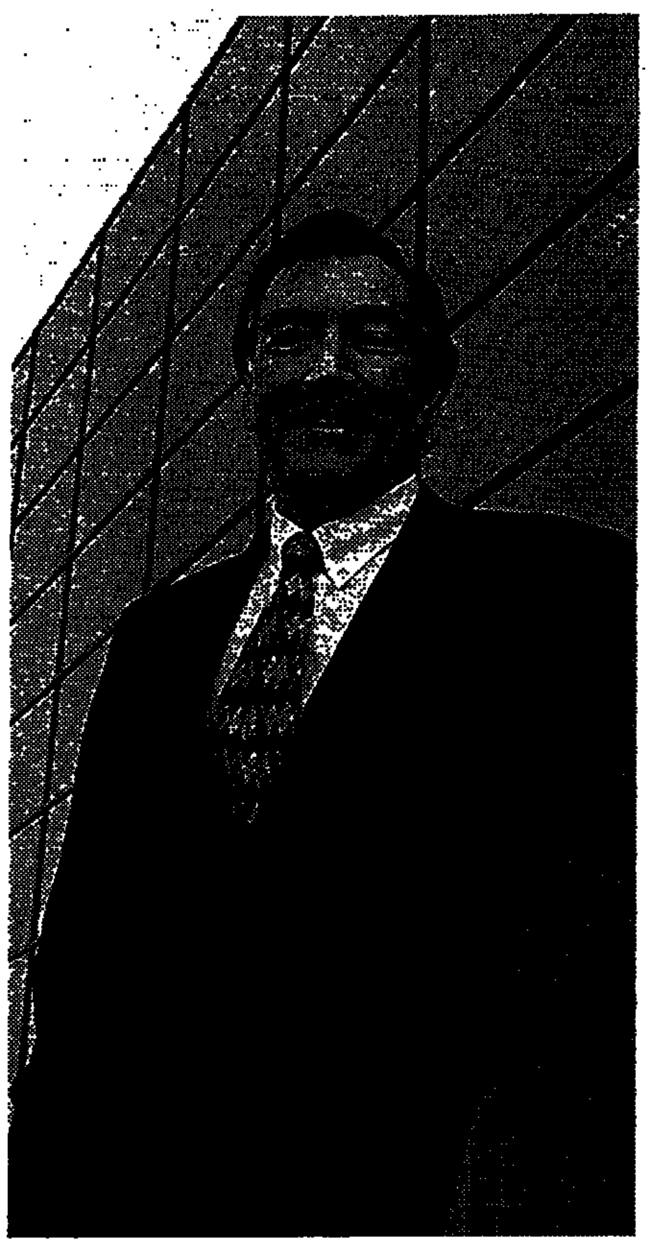
Fortunately for Mackie, Dougan's enthusiasm extends to all parts of Northern Ireland. He makes great play of the "work ethic" in Ulster, especially among Protestants, and shrugs off the idea that violence and intimidation have ever affected him or his business. He claims never to have been threatened, and says that "industry has not been really been affected by the troubles". However, "it has to be in the best interests of Northern Ireland to have a cessation of violence".

Thirty per cent of Mackie's workforce is Catholic but he says there have been only a small number of sectarian incidents at the company in recent years. For this he singles out the trade union movement for praise. "It helped keep things calm. The trade unions have worked tirelessly to keep the peace on the shop floor," he says.

And if enthusiasm does not do the trick Dougan raises the issue of duty. He describes Mackie's flotation as "the first opportunity the City of London has had, post the cessation of violence, to show its confidence in Ulster".

As for the politicians in Ulster, he believes they are "generally an honest lot but community leaders should be busy building bridges".

And what if the peace in Ulster does hold? For Dougan the sky is then the limit. "We have the potential to do sales three times what we do now," he says.



NAMES IN THE NEWS

The aphoristic Norman Augustine

Few captains of industry, it is safe to say, go dog-sledding in the Arctic or travel the Oregon Trail in a covered wagon, and still find the time to pen a book of business aphorisms.

But then Norman Augustine, the 59-year-old chairman and chief executive of Martin Marietta, the US defence group, has never been altogether the average boss, writes *Richard Tomkins*.

Last week he was in the news when Martin Marietta and Lockheed, two of the three biggest US defence contractors, announced that they were merging. Characteristically, where other industry executives would have rambled on about the synergistic benefits flowing from a merger of complementary corporate cultures, Augustine chose a different approach. "The arithmetic is simple," he said. "Three full factories are better than six half-full factories."

A Princeton graduate who joined Martin Marietta in 1977 after two years at the Pentagon, Augustine signalled his loathing of cant – and simultaneously gained wider public consciousness – by publishing a Murphy's Law type of book, called *Augustine's Laws*, in 1983. One example: "If a sufficient number of management layers are superimposed on top of each other, it can be assumed that disaster is not left to chance."

More recently, he has been credited with leading the badly-needed consolidation of the US defence industry through takeovers of General Electric's aerospace operations and General Dynamics' space systems business.

Yet he will be neither chairman nor chief executive of the newly-formed Lockheed Martin: both jobs are going to Daniel Tellep, 62-year-old chairman and chief of the larger Lockheed group, while Augustine will have to make do with the lesser title of president.

Still, Tellep insists that the two of them will work together as a team. And if this looks suspiciously like superimposing an extra management layer, it has been agreed that when Tellep retires – in, say, a couple of years' time – Augustine will become chairman and chief executive.

Treasury moves in Italy

The Italian Treasury has completed the reshuffle of its council of expert advisers, naming successors to Francesco Giavazzi and Alberto Giovannini, well-known in the world of international finance for their work on privatisation and debt policy over the last two years, writes Andrew Hill.

The council of experts was set up in 1992 by then treasury minister Guido Carli to advise on economic policy. Members were drawn from top international financial and economic positions.

Professors Giavazzi and Giovannini – nicknamed the G2 in academic circles for their joint publications – are both returning to academic positions, at Milan's Bocconi University and Columbia University in New York respectively. Their successors are from the same high-flying economic background.

Vittorio Grilli, a member of the Treasury's council of experts since last year, succeeded Giavazzi last week. Grilli, 37, was educated first at Bocconi and then gained a Masters and a PhD in economics from the University of Rochester in the US. He is currently deputy director of the Program for International Economic Studies at Georgetown University in Washington DC, and the Woolwich Professor of Financial Economics at the University of London's Birkbeck College.

Vincenzo La Via has joined the council of experts from Akros, the Italian investment group, where he was partner and senior fund manager. La Via, who has also held positions at the World Bank, has a doctorate from UCLA.

It has yet to be decided who will take on Alberto Giovannini's role as coordinator of the council of experts. Giovannini himself, now Jerome Chazen Professor of International Business at Columbia, will continue to advise the Treasury on the privatisation of Italy's state electricity company, Enel, likely to take place late this year or in early 1995.

Dynastic moves at Danone

Heads of French companies are often criticised for being too monarchic – and perhaps too dynastic, in the case of Antoine Riboud, the 75-year-old head of the Danone food group, whose son, Franck, 38, has been just made his number two, writes David Buchan.

Antoine Riboud, whose management style is described by one Paris analyst as increasingly authoritarian and peremptory, has never made any secret of his desire to see his son rise to the top of Danone, which he has built up under the name of BSN, recently dropped in favour of the more identifiable best-selling brand of Danone yoghurt.

But the announcement of Franck Riboud's elevation to "vice chairman and president" under his father who is "chairman and chief executive" was careful to mention that the move was made at the initiative of Michel David-Weill, the board's non-executive vice chairman and head of Lazards, which owns 5.9 per cent of the group.

Franck Riboud, who replaces the retiring Georges Lecallier, has worked at Danone since he graduated from the Lausanne Polytechnique in 1981. He has had a taste of responsibility at most branches of the group's multifarious food businesses and since 1992 he has been reponsible for corporate development.

Danone officials claim that any idea of Franck being groomed to take over from his father is premature; the latter can go on until he is 80, according to the group's statutes.

At the board meeting which elevated Franck, it was also announced that Jacques Vincent and Christian Laubie would join Philippe Lenain in the inner circle as senior vice-presidents.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
American Express Credit Corp. 8% Dual Cur. Snr. Bd. 1995 Y80000.0
British Petroleum 8% Dual Cur. Yen/$ Bd. 1995 Y80000.0
Clayhithe 1.875p
Dewhurst 0.75p
Do. A N/Vtg. 0.75p
Electrocomponents 7p
Gen. Motors Acceptance Corp of Canada7¾% Nts. Sep.1997 C$77.50
Gillette $0.25
Halifax Bldg. Scty. FRN 1999 £134.67
Isetan 6.2% Nts. 1999 Y620000.0
Royal Hotel 6.1% Bd. 1997 Y610000.0
Scottish & Newcastle 11.26p
Sweden (Kingdom of) 6½% Nts. 2003 $32.50
Symonds Eng. 0.25p

■ TOMORROW
Bank of Greece 10¾% Ln. 2010 £5.375
Banner Homes 1p
Cardiff Property 0.85p
Countryside Props 1.41p
Creditanstalt-Bankverein Fltg/Fxd Rate Nts. 2002 $2319.27
Dares Estates 8% Un. Ln. 1992/97 £4.0
Enserch $0.05
Fuji Bank Int. Und. Sb. Gtd. Var. Rate Nts. $1457.99
Joseph (Leopold) 9¼% Un. Ln. 1997/2002 £4.625
Lockheed $0.57
Moorgate Inv. Tst. 2.55p
Rockwell Int. $0.27
Vega 2.075p

■ WEDNESDAY SEPTEMBER 7
Blick 3.5p
Safeland 0.79p
Woolwich Bldg. Scty. FRN 1996 £134.53

■ THURSDAY SEPTEMBER 8
Abbey National Treasury Services Gtd. FRN 1999 $11.50
Anglian 6.2p
Treasury 7¾% 2006 £3.875
Treasury 10% 2003 £5.00
Cardiff Automobile Receivables No.2 Class A FRN 1997 £142.10
Do. Mezzanine FRN 1997 £168.56
Court Cavendish 2.65p
Cowie 2.725p
Fleming Int. High Inc. Inv. Tst. 2.5675p
Kalamazoo 2.45p
Nat. Australia Bank Sb. Var. Rate Nts. 2000 £145.88
Nat West Bank Var. Rate Cap. Nts. 2009 £140.21
Nationwide Bldg. Scty. FRN 1995 £133.27
Partridge Fine Arts 1.4p
Prism Leisure 3.03p
Renold 7⅝% 2nd Db. 1992/97 £3.8125
Wood (John D.) 1.25p

■ FRIDAY SEPTEMBER 9
Anheuser-Busch $0.40
Treasury Fltg. Rate 1999 £1.2406
Carclo Eng. 7.2p
European Assets Tst. FL0.08
Funding for Homes 10⅛% Db. 2018 £5.0625
Greenfriar Inv. 2.2p
Holders Technology 2p
Investors Capital Tst. 1.3p
JLI Grp. 3.2p
Lex Service 5.6p
Malvern UK Index Tst. 1.7p
Manweb 17.35p
Motor World 2.5p
Oriel 3p
Pelican 1.25p
Savills 1.5p
Scott Pickford 0.9p
Texaco $0.80
Warner-Lambert $0.61
Woolwich Bldg. Scty. 7% Nts. 1998 £700.0

■ SATURDAY SEPTEMBER 10
Treasury 5½% 2008/12 £2.75
General Motors $0.20
Grace (WR) $0.35
Joseph (Leopold) 14.25p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Dalepak Foods, Merchant Taylors Hall, Aldwark, York, 12.00
Rexmore, Regent House, Rexmore Way, Liverpool, 12.00
Siebe, Dorchester Hotel, Park Lane, W., 12.00
Vega, 2-8, Masons Avenue, E.C., 4.30
BOARD MEETINGS:
Finals:
Cantors
Haynes Publishing
Interims:
ASW Hldgs.
Bletchley Motor Grp.
British Vita
Bund
Burmah Castrol
Calderburn
Coats Viyella
Copymore
Energy Capital Inv. Co.
Expamet Int.
Heywood Williams
JIB
John Mansfield
Oliver Grp.
Pentland
Plasmec
RPS Grp.
Scotia Hldgs.
Suter
USDC Inv.
Wates City of London Props.
Wilson Bowden

■ TOMORROW
COMPANY MEETINGS:
Birse Grp., Forte Posthouse, Ferriby High Road, North Ferriby, Hull, 12.00
Scott Pickford, 256, High Street, Croydon, Surrey, 11.00
SelecTV, Lainsborough Hotel, Lanesborough Place, S.W., 11.30
Starmin, The Connaught Rooms, Great Queen Street, W.C., 11.00
Sterling Publishing, Mint House, 77, Mansell Street, E., 10.00
Wood (John D), 26, Curzon Street, W., 12.00
BOARD MEETINGS:
Finals:
Finsbury Underwriting
Macro 4
River & Mercantile Smaller Co's Tst.
Interims:
Appleyard
Berry Starquest
Boddington
Bowater
British Dredging
Burnfield
CRH
Chime Comms.
Davis Service
Estates & General
Gaskel
IMI
Iceland
Metsec
Peek
Robinson Bros
Scholl
Strong & Fisher
Telspec
Thompson Clive Inv.
Wimpey (G)

■ WEDNESDAY SEPTEMBER 7
COMPANY MEETINGS:
Beapak, Bergen Way, North Lynn Indl. Estate, Kings Lynn, 11.30
Birkdale Grp., 52-54, Broadwick Street, W., 11.00
Debenham Tewson & Chinnocks, 30, Throgmorton Street, E.C., 11.00
Fleming Int. High Inc. Inv. Tst., 25, Copthall Avenue, E.C., 3.00
Goode Durrant, 30, Furnival Street, E.C., 11.30
JLI Grp., St. James Court Hotel, Buckingham Gate, S.W., 10.00
Joseph (Leopold), Merchant Taylors Hall, 30, Threadneedle Street, E.C., 12.00
Kalamazoo, City Conference Centre, 76, Mark Lane, E.C., 11.30
ML Hldgs., Sheraton Skyline Hotel, Bath Road, Hayes, 12.00
MS Int., Doncaster Moat House, Warmsworth, Doncaster, 12.00
Savills, 25, Finsbury Circus, E.C., 12.00
Syltone, Drum Eng. Co., Cross Lane, Bradford, 12.30
Tinsley Robor, 50, Victoria Embankment, Blackfriars, E.C., 10.30
BOARD MEETINGS:
Finals:
Adscene
Frost
Wills Grp.
Interims:
AMEC
Albany Inv. Tst.
Alliance Res.
Avonside
BBA
Baird (Wm)
Bluebird Toys
Brammer
Cakebread Robey
Exeter Pfd. Cap. Inv. Tst.
Grattan
Hilledwon Hldgs.
Home Counties Newspapers
Intrum Justitia
Nurdin & Peacock
Portals
RTZ
Radius
Russell (Alexander)
Severfield Reeve
Simon Eng
Sumit
Wellington
Wilson (Connolly)

■ THURSDAY SEPTEMBER 8
COMPANY MEETINGS:
Bogod Grp., 108-113, Charterhouse Street, E.C., 12.00
Bromsgrove Inds., National Motorcycle Museum, Coventry Road, Bickenhill, West Midlands, 12.00
Bulmer (HP), The Cider Mills, Plough Lane, Hereford, 2.30
Dixons, Grosvenor House Hotel, Park Lane, W., 11.30
Excalibur, Excalibur House, Park Lane, Birmingham, 10.00
Smith (David S), St. James Court Hotel, Buckingham Gate, S.W., 10.30
Triplex Lloyd, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 1.00
BOARD MEETINGS:
Finals:
Bellwinch
Glaxo
HTR Japanese Smaller Co's Tst.
Sun Alliance
Tottenham Hotspur
Interims:
Arjo Wiggins Appleton
Avonmore Foods
BTR
Blue Circle
Bostrom
British Gas
Church & Co
Cookson
Enterprise Oil
Fairhaven Int.
Gartmore Value Invs.
Hall Eng.
Lloyds Smaller Co's Inv.
Manders
Newman Tonks
OGC Int.
Porvair
Princedale
Royal Doulton
TLS Range
Yorkshire Food

■ FRIDAY SEPTEMBER 9
COMPANY MEETINGS:
Crest Packaging, Courtenay Road, Gillingham, Kent, 12.00
Investment Co., Fairfax House, Fulwood Place, Grays Inn, W.C., 12.00
Lister & Co., Novotel Bradford, Merrydale Road, Bradford, 12.00
Oceonics, Chartered Insurance Institute, 20, Aldermanbury, E.C., 10.30
PSIT, Butchers Hall, 87, Bartholomew Close, E.C., 12.00
Reliance Security, Glaziers Hall, 9, Montague Close, S.E., 12.00
Stagecoach, Lesser City hall, South St. Johns Place, Perth, 12.00
Stanley Leisure, Albion Casino, Cromwell Road, Castle Irwell, Salford, 11.00
Wessex Water, Assembly Rooms, Bennett Street, Bath, 11.00
BOARD MEETINGS:
Finals:
Armour Tst
Govett Global Smaller-Cos. Inv.
Headway
Stewart Zigomala
Interims:
Beattie (James)
Canadian Pizza
Costain
Gartmore Shared Equity Tst.
Govett Asian Smaller Co's Inv.
Instem
Molins
Perry
Taylor Nelson
Ulster TV
Vinten
Virtuality

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

SEPTEMBER 6-8
INFRARAIL 94
Three-day international trade exhibition of products and services for railway infrastructure to be held in G-MEX Centre, Manchester, England. Over 155 organisations from 13 countries are taking part in this very timely event. Exhibition is supported by two associated one-day seminars organised by the Institution of Civil Engineers.
Contact: Judy Adspen - Mack-Brooks Exhibitions
Tel: (0707) 275 641
MANCHESTER

SEPTEMBER 12
Czech Business Day
CBI Conference, includes presentations and workshops on a wide range of trade and investment opportunities. Czech delegation includes Vladimir Dlouhy, Minister for Industry and Trade.
Contact Nichola Martin
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

SEPTEMBER 12-13
UK Cable, Telephony & Finance: Leading the World to the Information Superhighway
An in-depth conference on the convergence, cooperation and competition in the UK cable & telephony industry.
Contact: Patricia Baynton, Kagan World Media Limited.
Tel: 071 371 8880 Fax: 071 371 8715
LONDON

SEPTEMBER 13
COMPETENCY & COMPETITIVE ADVANTAGE
Practical working conference with representative speakers from top UK organisations demonstrating how the effective use of competencies within their operations has played a significant role in helping them to achieve their business goals. Also choice of workshops: Organisational Development and Pay Strategy.
Contact: Conference Manager, Human Resource Partnership
Tel: 071-409 0699 Fax: 071-499 4285
LONDON

SEPTEMBER 14
Sao Paulo
"The Brazilian Embassy and the Government of the State of Sao Paulo are organizing a Seminar on "Sao Paulo: Trade and Investments Opportunities in the Heart of the South American Market" to be held at the Lancaster Room, Savoy Hotel, London, on September 14, 1994.
For further information, please contact the Brazilian Embassy.
Tel: 071 499 0877 ext. 234
LONDON

SEPTEMBER 14/15
Financial Astrology Seminars
Two full evening sessions with Robert Hand (from USA) world renown Astrologer and writer of PC Software "Astro Analyst" and Roy Gillett, City of London Astro Analyst, who has successfully predicted Bond markets though 1994.
At Flemings Conference Centre, EC2R.
Full details - Roy Gillett Consultants Phone/Fax 0276 683898
LONDON

SEPTEMBER 18-20
The National Education & Jobs Fair
The UK's most definitive careers and education show including a comprehensive seminars programme. Over 140 universities and higher education colleges will be exhibiting and promoting a huge range of courses at all levels.
FREE ENTRY
Enquiries: Fran Foster - Centre Exhibitions
Tel: 021 767 2413
NEC, BIRMINGHAM

SEPTEMBER 19-20
BUSINESS PROCESS RE-ENGINEERING (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended. Repeated November 21-22.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890821
LONDON AREA

SEPTEMBER 19-22
Fire 94
The national conference & exhibition for the whole fire protection profession, featuring a wide range of the latest fire safety equipment and services.
Contact: Jane Malcolm-Coe
FMJ International Publications Ltd.
Tel: (0737) 768611. Fax: (0737) 761685
BOURNEMOUTH

SEPTEMBER 20
How to succeed with mergers and acquisitions
Over 50 per cent of mergers and acquisitions fail and more often than not it is 'people' issues which cause the failure rather than any strategic, financial or marketing elements of the deal. This one-day conference will identify and address the critical factors in the mergers and acquisitions process which matter most to people.
Director Conferences
Tel: 071 730 0022
LONDON

SEPTEMBER 22
CBI
Annual Pensions Conference
Conference, in association with William M Mercer Ltd, Considers company pension policies and Government strategies in light of legislative cahnges. Keynote speaker, William Hague, Minister of State for Social Security.
Contact Sandra Aldred
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

SEPTEMBER 22
Latin American Financial and Business Briefing
Economists, academics and business leaders from six Latin American countries outline the financial and business opportunities in the region, including Brazil, Argentina, Mexico, Peru, Chile and Venezuela. Sponsors: IEA/Atlas.
Cost: £200 + VAT
Contact: Melanie Jones at Conference Profile
Tel: 071 236 4938 Fax: 071 236 1889
LONDON

SEPTEMBER 22
Profit Related Pay
This conference examines the practical aspects of introducing, implementing and designing a successful profit-related scheme. Topics include a review of whether PRP is right for a company, the design process, employment law issues and a practical analysis by Severn Trent PLC.
Contact: Evie Kinane, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

SEPTEMBER 22
Supplying the Demand: Keeping your customer in a changing world
One day Strategic Planning Society & ESRC Conference
We live in a world of consumer choice. The old marketing concept of supply and demand needs updating. Marketing strategy must acknowledge socio-economic changes and demographic trends in order to maintain competitive advantage.
Contact: Jo Mainee,
The Strategic Planning Society
Tel: 071-636 7737
LONDON

SEPTEMBER 26/27
European Equities Investment Management
Queen Elizabeth II Conference Centre, London.
Major international conference on pan European investment strategy featuring analysis of the growth of the institutional and investor base in Europe and including 16 country/sector workshops.
Contact: Alison Elgar, Dow Jones Telerate
Tel: 071 832 9532 Fax: 071 353 2791
LONDON

SEPTEMBER 27
Highways to Manufacturing
CBI Conference, in association with BT, brings together leading exponents to examine developments in information and communication systems and their important role in company strategic planning.
Contact Georgina Kingsby
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

SEPTEMBER 27
User Protection in System Procurement
A one day briefing from NCC's Legal Group on rights and responsibilities in software procurement. Practical and directly relevant to Legal Advisors and Company and IT Management. £250.00 + VAT. Fax for further information or provisional booking to Marie Dwyer, NCC on 061 236 8049 or Tel: 061 228 6333
LONDON

SEPTEMBER 27
Women mean business
This one-day conference has been designed to inspire businesswomen seeking to advance their careers and to provide useful advice to women in the organisation and management of different aspects of their personal lives.
Director Conferences
Tel: (071) 730 0022
LONDON

SEPTEMBER 27-28
World Port Privatisation
This seminar will offer a unique view of port privatisation worldwide to all involved parties. It will cover the valuation process - accessing private capital - competitive strategies in changing seatrade markets - privatisation models and experiences - the changing role of port authorities.
Euromoney Pdl - Jean Theallier
Tel: +44 71 779 8609 Fax: +44 71 779 8795
LONDON

SEPTEMBER 27-29
PPMA SHOW
The UK's premier Show for processing and packaging machinery. Over 200 standholders representing 500 international machine manufacturers. Equipment to process and pack good, pharmaceuticals, cosmetics, chemicals, beverages, confectionery etc. Free daily seminar on CE Mark regulations.
For tickets contact Melinda Scales
Tel: 081-681 8226 Fax: 081-681 1641
NEC, BIRMINGHAM

SEPTEMBER 28
The Third Age of Financial Services
The opportunities in the 50+ markets.
A joint conference organised by Age Concern England and The Henley Centre, designed to help those companies interested in marketing goods and services to the 50+ age group.
Cost: 335 + VAT
Contact: Anna Harman at The Henley Centre
Tel: 071 353 9961
LONDON

SEPTEMBER 29
Ernst & Young
Transfer Pricing Conference
Implications for multinationals of 1994 OECD Report and Final US Regulations.
Price: £100.00 plus VAT
Contact: Tina Devenport, Ernst & Young
Tel: 071 931 2295 Fax: 071 242 5862
LONDON

SEPTEMBER 29
South Africa
A Cityforum conference featuring Chris Stals, Sir Evelyn de Rothschild, Elizabeth Bradley, Robert Guy, Basil Hersov, Gary Maude, M J Levett, Lucia van der Post. Sponsors: South Africa Foundation, Rothschilds/ Smiths New Court, Clifford Chance, Coopers & Lybrand.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903
LONDON

SEPTEMBER 29/30
Telecommunications Billing Systems '94
Information for Competitive Advantage
Royal Lancaster Hotel, London, W2
29th/30th September 1994
Worldwide Forum for Billing Systems professionals
Last year attended by over 200 people
Tel: (071) 274 8725 for details
LONDON

SEPTEMBER 30
Technology Transfer - Creating Competitive Advantage
Through the Transfer of Technology. Share the experience of a high profile speaker faculty representing industries which are all now benefiting from increased efficiency of plant, processes and people, plus enhanced levels of safety and environmental care.
Contact: Claire Meekins,
The Economist Conferences
Tel: 071-830 1076 Fax: 071-409 3296
LONDON

OCTOBER
Invest in your evenings
London Business School's long-established finance evening programmes for experienced managers and finance professionals start in early October. The Corporate Finance and Investment Management programmes require attendance on one evening per week and the Masters Degree in Finance requires two years of part time study.
For details call Valerie Morgan on 071 262 5050, or fax 071 723 1788 or 724 7875
LONDON

OCTOBER 3-5
Lafferty's 1st International Wealth Management Convention
Four distinct but related conferences - a MUST for anyone in the affluent market - an area which offers enormous profit opportunity for providers of financial and professional services: Global Wealth Briefing, Private Banking, Investment Management & Dealing, Personal Financial Planning Conference
Contact: Elaine
LAFFERTY CONFERENCES, Dublin
Tel: (+353-1) 671 8022
Fax: (+353-1) 671 3594
LONDON

OCT. 3 - NOV. 21
FT- City Course
This course is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and securities markets.
Enquiries Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

OCTOBER 3/4/5
City Intensive Seminar
A programme for new recruits to the City, corporate finance, treasurers and financial executives covering structure, markets, regulation and world position of the City. Speakers include Michael Cassidy, Scott Dobbie, Sir Michael Palliser and Colin Sharman. KPMG sponsor.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903
LONDON

OCTOBER 4
Pensions Now
A one-day conference covering Pensions Equality; SERPS - breaking the link; proposed minimum solvency requirements; the proposed new regulatory regime and compensation scheme; the extra burdens these will add; being a pension scheme trustee; plus the viewpoint of a scheme sponsor.
Contact: The Conference Manager, Gee Publishing Ltd.
Tel: (071) 538 5386 Fax: (071) 538 8623
LONDON

OCTOBER 4 & 5
FT International Infrastructure Finance
Build-Operate-Tranfer (BOT) projects are set to play an important role in major infrastructure schemes worldwide. This two-day event will examine the billion dollar busines opportunity for contractors and suppliers to the industry.
Enquiries Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

OCTOBER 4-5
Software Quality - Quest or Folly?
The seminar for people who want to improve quality but need to balance its achievement with the practical realities of running a cost effective IT organisation. Speakers from ButlerBloor, DISC TickIT, Praxis and other leading software quality organisations provide guidance on practical steps to improve quality without loss of time or budget.
Contact Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

OCTOBER 4-5
Software Testing Methods and Tools
Packed with information and practical tips, presented by entertaining and informative world-class experts, this seminar provides the maximum benefit in the shortest time for this critical aspect of software management. A special feature is the presentation of case studies from industrial users of software testing methods and tools.
Contact Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

OCTOBER 4-6
Freightconnection 94 Conference & Exhibition
The third annual exhibition and conference for logistics professionals. Keynote speaker Secretary of State for Transport, plus Sir Alastair Morton, Eurotunnel and 15 other leading industry speakers and four debates. Accepted wisdom will be challenged and controversial ideas advanced.
For further details, telephone:
0543 419600. Fax: 0543 419299
LONDON

OCTOBER 5/6
Auditing the Dealing room
(Understanding the Treasury functions)
Training designed specifically for internal auditors and bank inspectors charged with examining the activities of their institutions' Treasury dealing operation - cash markets and derivative products. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820 / 0956 323184
Fax: 0959 565821
LONDON

OCTOBER 6-7
Doing Business in the New South Africa
-Into The Next Century
This important conference will provide you with insiders' up-to-the-minute views of the business and economic climate in South Africa, giving you the information to make intelligent business decisions. Speakers include: Eddie George, Governor of the Bank of England, Derek Keys the South African Minister of Finance and Dr Chris Stals Governor of the South African Reserve Bank.
Contact: Corrine O'Shea, Euroforum
Tel: +44 (0) 71 793 1230
Fax: +44 (0) 71 793 1250
LONDON

OCTOBER 6-7
International Cash Management
Successful and Profitable Solutions for the 1990s
Featuring speakers from the corporate, banking and supplier sides, this conference is designed specifically for the buyers and sellers of cash management services. Featuring plenary sessions, real life corporate case studies and participative workshops, this conference will inform delegates of the latest and most successful cash management techniques.
Contact: Caroline Bond, Euroforum
Tel: +44 (0) 71 793 1230
Fax: +44 (0) 71 793 1250
LONDON

OCTOBER 11
Measuring the value of I.T. investments
This conference discusses how to assess the value of I.T. projects and prioritise I.T. investment successfully. It presents guidance from leading academics and consultants, as well as insights from the experience of major organisations, in both the private and public sector.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

OCTOBER 11/12
Practical Dealing course - Foreign exchange
Training in spot and forward forex dealing for trainee/junior dealers and Corporate Treasury personnel, Highly participative including WINDEAL (PC based dealing simulation) Training effected by practitioners with many years' experience. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820/0956 323184
Fax: 0959 565821
LONDON

OCTOBER 12-14
The Learning Organisation
This conference will be a deliberate step back from theory. Delegates will be taken through a structured learning programme, using practical case studies, to show how to develop a STRATEGIC APPROACH TO LEARNING. There will also be an interactive workshop facilitated by Price Waterhouse.
Contact: Rachel Thomas, IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 13 & 14
The Management of Product Safety & Quality
Product Safety and Quality are the responsibility of everyone concerned in the producjtion of goods. The seminar will provide opportunities to hear clear and practical explanations by leading experts.
Further details from
International Professional Conferences Ltd. Tel: 061 455 8623
LONDON

OCTOBER 17 & 18
FT
World Mobile Communications
This two-day conference will bring together key speakers to share their views on the growth of mobile communications, the various technologoes being adopted and new operator strategies.
Enquiries Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

OCTOBER 18
Strategic Alliances and Joint Ventures
This conference is one of the Corporate Strategy Series organised by IBC LEgal Studies and Services Limited. Key areas of discussion include: Why Joint VEnture?; Pre-Alliance Stages and; Law, Tax and Accounting Considerations.
Contact: Julia Dopheide, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 18-19
Introduction to Foreign exchange and Money Markets
Highly participative training course covering traditional FX and Money markets (Sterling & Eurocurrencies). For Corporate treasury personnel, trainee dealers, treasury marketing executives, financial controllers, systems and other support personnel.
£480 + VAT
Lywood David International Ltd.
Tel: 0959 565820 / 0956 323184
Fax: 0959 565821
LONDON

OCTOBER 18/19
Practical Documentary Credits
Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc Credits, handling discrepencies and the UCP 500 procedures to clarify understanding of all issues. £480+VAT.
Lywood David International Ltd.
Tel: 0959 565820/0956 323184
Fax: 0959 565821
LONDON

OCTOBER 19
Acquisitions
This conference examines the principles involved in making successful acquisitions. Topics include: Why acquire?; Pre-deal stages; Conducting an effective due diligence; Anti-trust issues; Public bids; Private sales; Compiling watertight legal documentation; Minimising tax liability and; New Accounting Standards.
Contact: Julia Dopheide, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 19
Practical BPR - Implementation Issues
2nd Annual Conference of the BPR Study Group (200+ members)
New (never disclosed before), recently successful Case studies presented with interactive sessions from senior management and practitioners. Lively discussions and demonstrations including speakers from Citibank International, Nationwide Building Society, Alliance and Leicester, Capital Home Loans, Pickfords and more.
Contact: Steve Towers, Hanson Associates
Tel: +44 (0) 941 120118
Fax: +44 (0) 608 663829
LONDON

OCTOBER 20
Pre-Budget Economic Prospects and Policy
Sixth Annual International State of the Economy Conference with speakers including Sir Alan Walters, Tim Congdon, Andrew Sentance, Roger Bootle, Patrick Minford, Geoffrey Wood, Otmar Issing, Jerry Jordan and Neil Mackinnon.
Sponsors: IEA.
Cost: £160 + VAT
Contact: Melanie Jones at Conference Profile
Tel: 071 236 4938 Fax: 071 236 1889
LONDON

OCTOBER 24
Structuring Tax Efficient Joint Ventures
Learn the latest tax planning strategies: COrporate or Partnership joint venture; Tax tips and planning points for property joint ventures; Joint venturing across national borders - what are the tax implications?; Requirements and developments in accounting for joint ventures; A tax efficient start: structuring and financing the joint venture.
Contact: Kate Roberts, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 26 & 27
How to Grow your Buisness using Market Research
Information is becoming fundamental in the running of a business through the use of technology. This two day seminar will show you how to get the best out of research and the real reasons for using it.
Contact - International Professional Conferences Ltd. Tel: 061 455 8623
LONDON

OCTOBER 26
Essential International Tax Techniques after the Finance Act 1994
Key topics include: Update on international tax techniques; Foreign income dividend; Why the UK is an attractive location; Impact of the new rules; Latest developments in transfer pricing and; Integrating the new tax regime into your international strategy.
Contact: Kate Roberts, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

OCTOBER 26 - 27
BPR 94: Re-engineering, Process Management and Performance Improvement
Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects.
Contact: Business Intelligence
Tel: 081 544 1830 Fax: 081 544 9020
LONDON

OCTOBER 27
International Tax Conference - Managing Global Expansion
Conference on the tax issues facing multinationals in the changing global scene.
Price: £200.00 plus VAT
Contact: Michelle Beard, Ernst & Young
Tel: 071 931 2297 Fax: 071 242 5862
BOURNEMOUTH

OCTOBER 30 - NOVEMBER 1
Living with Technology Road Transport & Road Transport Engineering
An important opportunity for all professionals involved in design, operation and maintenance of cars, trucks and Psv's to assess existing challenges and developments. This twin track conference with 30 international speakers will provide an important stimulus for strategic and practical fleet decision making.
Contact Peter Edmonds,
Institute of Road Transport Engineers.
Tel: (071) 630 1111 Fax: (071) 630 6677
LONDON

NOVEMBER 3
The 1st Annual Review of IT Law
This prestigious one day conference will have the leading speakers, cover the critical issues, the essential developments, law, litigation, regulation and policy. It will have a practical approach for practitioners.
Further details from
International Professional Conferences Ltd. Tel: 061 455 8623
LONDON

NOVEMBER 6-8
CBI
National Conference
Sessions include - Europe, Manufacturing, Exporting, UK Economy, TRaining, Equal Opportunities. Speakers include - Kenneth Clarke, Jacques Santer, Kamlesh Bahl, Paddy Ashdown, Michael Heseltine.
Contact CBI Special Events Department
Tel: 071 379 7400 Fax: 071 497 3646
BIRMINGHAM

NOVEMBER 7
Global Convention on Retail Financial Services
Day 1: 13th International Retail Banking Conference
Theme "Strategies for 2001".
Subjects: Banking, insurance, investment management and consumer financial services. Morning session: *"Global, Regional or National Markets?"* Afternoon session: *"Bank Positioning Strategies for 2001"*
Contact: Mouna Couzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
LONDON

NOVEMBER 8
Global Convention on Retail Financial Services
Day 2: 6 Parallel Conferences
- Cards 2000
- Branch Banking
- Affluent Financial Services
- Business Banking
- Technology
- Retail Financial Services for Low Income Markets

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NOVEMBER 8-9
Quantitative and Computational Finance
US Embassy, London.
Two day seminar hosted by the US Embassy. US and UK experts and practitioners review a range of novel quantitative models applied to the finance and securities industries. Derivatives; options; yield curves: successes, failures and experiences will be discussed.
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NOVEMBER 9
Global Convention on Retail Financial Services
Day 3: 6 Parallel Conferences
- Delivery Systems
- Marketing
- Insurance
- Non-Bank Banks
- Retail Financial Services in the Middle East
- Cross-Border Opportunities in Iberia

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NOVEMBER 9-30
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NOVEMBER 10
Global Convention on Retail Financial Services
Day 4: 6 Parallel Conferences
- Islamic Banking
- Direct Financial Services
- UK Financial Services
- Personal Financial Planning
- Cross-Border Opportunties in France
- Retail Financial Services in Emerging Markets

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NOVEMBER 11
Global Convention on Retail Financial Services
Day 5: 7 Parallel Conferences
- Cross-Border Opportunities in European Financial Services
  - Central & Eastern Europe
  - Germany
  - Nordic Europe
  - Benelux
  - Italy
- Retail Financial Services in India
- Human Resources

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NOVEMBER 15-16
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practibility of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 16
Marketing and the Competitive Challenge
Will show how competition can generate invaluable opportunities to improve quality, responsiveness and cost effectiveness of public services, using the marketing approach. Relevant to Chief Officers/Directors developing services in the context of market testing and CCT.
Keynote Speaker: Professor Kieron Walsh, Chair: Henry Tam Fee: £195 + VAT
Contact: Elaine Whiteman,
Longman Conferences - 0279 442601
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NOVEMBER 16-18
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Contact Anna Pearson,
Lafferty Training, London
Tel: (+44-71) 782 0590 Fax: (+44-71) 782 0596
LONDON

NOVEMBER 29-30
Data Warehousing: Practical Experience and Lessons for the Future
Building the smart corporation, driving effective business process reengineering projects, unlocking the most valuable of corporate assets. Learn how many of the world's most competitive corporate players have used the datawarehouse concept to achieve a strategic corporate advantage.
Contact Unicom Seminars
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EXHIBITIONS

SEPTEMBER 12 - 18
GCC & Britain '94 Exhibition
Over 350 of the Gulf States most successful business will all be under one roof, all ready to talk business at Olympia 2. 10.00 am - 6.00 pm. Daily.
For tickets/information contact: Arab-British Chamber of Commerce, 6 Belgrave Square, London SW1X 8PH
Tel: 071 235 4363 Fax: 071 245 6688
LONDON

INTERNATIONAL

SEPTEMBER 26, 27, 29 & 30
EC White Paper and the Bangeman & Christopherson Group Reports
These documents have given decisive political impetus to the development and energy networks in Europe. The Club de Bruxelles is organising three conferences on these key subjects with the European Commission.
For details see three ads below or
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BRUSSELS

SEPTEMBER 14 & 15
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Further details from
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SEPTEMBER 26 & 27
The European Challenge for a Global Information Society
Eight debates on the market and public regulations, new networks and services, initiatives from the Bangemann Group, Financial implications, and opportunities from E.U. Programmes. Expert panellists from the European Commission (D. G III & XIII) and from the private sector.
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BRUSSELS

SEPTEMBER 29
The Future of Trans-European Transport Networks
The role of transport networks in the politics of free movement throughout Europe. Examination of existing and proposed projects, selection criteria and financial aspects. Four important debates with experts drawn from the European Commission (D G. VIII), associations and private sectors concerned.
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BRUSSELS

SEPTEMBER 30
The Future of Trans-European Energy Networks
Why should the European Union create energy networks faster? Obstacles and solutions: what is involved? How will financial institutions implement these networks? Key panellists from the European Commission (DG. XVII) organisations and industrialists throughout Europe.
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BRUSSELS

SEPTEMBER 27-29
DA/DSM Europe 94
Competition in combination with open access will force utilities to introduce more advanced technologies such as: IT/DA/DSM/SCADA/AM/FM/GIS/AMR. At this conference & exhibition the latest developments will be discussed and shown by the major companies and utilities. High level.
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OCTOBER 10/11
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Designed for senior bankers responsible for private client business and chaired by Russell Taylor, author of Private Banking Renaissance, this international conference considers ways to meet client service requirements while maintaining profitability.
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OCTOBER 17-19
ECMRA - Profiting from New Perspectives
The European Association for Business Research in the Chemical Industry will address the issues following the major rationalisations and re-structuring programme on which the industry has embarked throughout Europe. K Schommer the Economics minister, Saxony will give the Keynote address on "Eastern Europe in a Global Petrochemical Industry"
Contact: Sylvia Davies
Tel: 071 879 0709 Fax: 081 947 2637
LEIPZIG

OCTOBER 19 & 20
Dealing with Rights
Intellectual Property Rights must be properly dealt with if they are to confer hoped for benefits upon their rightful owners. An intensive panel of intellectual property managers and lawyers examine the problems owners face in handling rights and in portfolio mangement.
Further details from
International Professional Conferences Ltd. Tel: 061 455 8623
FRANKFURT

OCTOBER 19-20
Plain English Campaign's
3rd International Conferences
Washington DC
Telephone 0663 744409 for details
WASHINGTON

NOVEMBER 8-9
European Union Aid for Development Conferences
Business Opportunities in EC external aid projects to the value of 5 billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurement opportunities for manufacturers/ suppliers. 200 page EUROAID GUIDE on EU aid programmes included.
Contact: Société Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

BUSINESS TRAVEL

Flight ban

On Friday, the Federal Aviation Administration said airlines in nine third world countries failed to meet international safety standards and have been banned from flying to the US. It also gave conditional approval for continued flights from four other countries and said their safety standards would be kept under close scrutiny.

The nine countries which did not meet minimum standards were: Dominican Republic, Belize, Honduras, Nicaragua, Paraguay, Uruguay, Gambia, Ghana and Zaire. The four put under continued close review were: Bolivia, Netherlands Antilles, El Salvador and Guatemala.

Beirut strike

More than 2,000 travelers bound for Europe, North Africa and Gulf states were straded at Beirut International airport on Friday when flight crews of Middle East Airlines, Lebanon's national carrier, went on strike Friday demanding a pay increase.

The open-ended strike by 300 pilots and flight engineers grounded at least 10 MEA aircraft.

The strike was launched at the height of Lebanon's annual summer travel season.

Aviation officials said negotiations were under way between the strikers and management of the state-owned airline.

Latvia plan

Scandinavian Airlines and a US-based investment firm presented plans on Friday for a new international carrier based in Latvia.

The plan, which was requested by Latvia and seems assured of approval, calls for replacing two current Latvian airlines with one system-based in Riga. The new carrier, which has not yet been given a name, would use the Latvian capital as a hub and initially would fly within the Baltics and neighboring countries.

Ukraine flight

After more than two years of unsuccessful attempts, Ukraine's financially troubled national airline began a service from Kiev to Hungary last Thursday.

Air Ukraine has announced several times since 1992 that it would start a twice-weekly service to Budapest but was unable to do so due to technical and financial problems.

Strike threat

Last Thursday, British Airways cabin crews at Manchester and Birmingham backed strike action in a ballot by the Transport and General Workers' Union.

Meetings are now to be held to try to resolve the dispute, which is over holidays and allowances affecting air hostesses and stewards.

Three-quarters of the 565 cabin crew union members at the airports returned their papers in the ballot.

A total of 88 per cent backed a strike, while an even bigger proportion, 93 per cent, supported other forms of industrial action short of a walkout, said the union.

Virgin to Australia

Richard Branson's Virgin Atlantic is to start services to Australia in partnership with Australian airline Ansett.

The two carriers have formed a marketing partnership, which means Virgin will be offering £859 London-Sydney return tickets.

Passengers will fly Virgin from London to Hong Kong and then take an Ansett flight to Sydney, with connections to Brisbane and Melbourne. There will be three flights a week from September 10, increasing to five in the New Year.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	30	31	30	29	29
Hong Kong	31	29	31	31	31
London	19	18	16	17	17
Frankfurt	24	21	19	20	20
New York	19	23	26	26	25
L. Angeles	28	28	29	31	29
Milan	27	27	26	25	26
Paris	22	20	20	19	19
Zurich	23	20	17	16	17

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

'Stunning' Kansai opens its doors

By Michiyo Nakamoto in Tokyo

Kansai International Airport opened yesterday. "Take-offs and landings went very smoothly," said Tsuneharu Hattori, airport president. But 19 flights were delayed for up to 65 minutes - owing to the malfunction of an air traffic-control computer - and he acknowledged that the opening, after seven and a half years of construction, did not give cause for "unalloyed joy".

"We are still learning from problems, and if two more runways are to be built soon we will need more support from the Kansai region," he said.

Kansai, is built on a man-made island off Osaka and is Japan's first major airport to operate round the clock. It has a daily capacity of 454 arrivals and departures. But, partly because of high landing fees and passenger service charges, only 339 international and 469 domestic weekly flights were scheduled by the time of the opening.

For harried business travellers who do use the airport, Kansai is likely to offer plenty of visual appeal with a stunning terminal building designed by Italian architect Renzo Piano.

Transit passengers to other cities in Japan will also find the airport designed to meet their needs, with flights taking off to 24 domestic destinations from the same terminal building. Passengers are only required to move either up or down a floor by escalator or elevator.

A shuttle that runs along the length of the terminal building at frequent intervals ensures that moving from one end of the long building is a smooth and easy process.

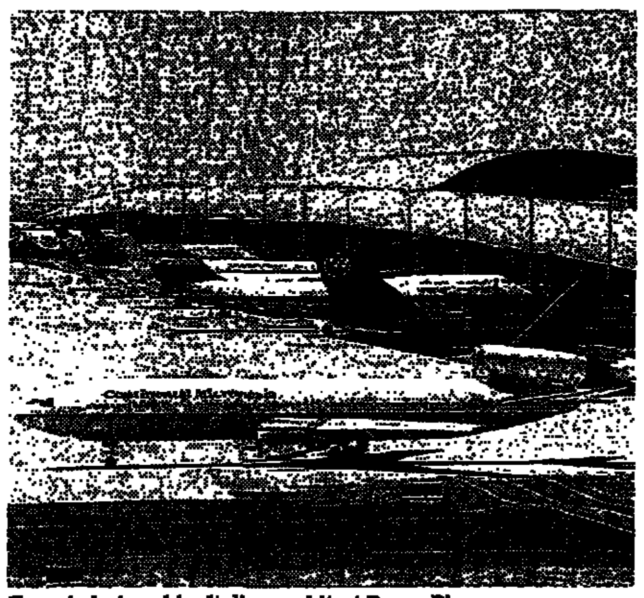
For passengers travelling on to one of the major cities around Kansai International, such as Osaka, Kobe or Kyoto, or to other parts of Japan by train, the airport offers the convenience of direct access to the railway station through the terminal building.

If taxis or personal cars are the preferred method of transport, the airport is linked to two major expressways that run to major cities, with an estimated driving time of one hour to Osaka and 70-minutes to Kobe.

Kansai also offers a boat service into Osaka. This takes about half an hour. But whatever route is taken, the high costs of public transport from the airport are guaranteed to shock the first-time visitor. The 3.75-km bridge linking the airport to the main island costs cars Y1,700 ($17) to cross, the JR train ride to Shin-Osaka station is nearly Y3,000, and the 35-minute boat ride to Kobe, to which there is not direct train link, is Y2,490.

At around 6am yesterday, The Crystal Wing was the first ferry to make the 30-minute journey from Kobe air terminal to the airport island. But, due to engine trouble, another boat, the Pearl Wing, had to return to Kobe at around 7am. The 173 passengers were transferred to another boat.

In a related development, an accident involving a hydrofoil carrying passengers from the port of Kobe to the airport forced more than 100 passengers to miss their flights.



Kansai: designed by Italian architect Renzo Piano.

Airlines keep their guard up

Charles Jennings looks at the security implications of declining terrorism

Carlos the Jackal may be behind bars, Israel may be entering into peace agreements with its neighbours and the IRA may have declared a ceasefire; but there is to be no slackening of airline security procedures.

As a spokeswoman for United Airlines puts it: "Security won't change. We'll keep operations absolutely 100 per cent as they are." This is a theme echoed by El Al, which delares itself "probably more on our guard than before. We're certainly not relaxing, with peace in the air. Indeed, there may be more splinter groups forming as a result of the peace process, so we have to redouble our efforts."

The big dates in the world of airline security, are September 12 1970 – when Palestinian terrorists blew up three airliners in Jordan, and simultaneously attempted to hijack an El Al jet at Heathrow; and December 21 1988 – the date of the Lockerbie bombing. The first prompted the worldwide introduction of X-ray scanners and metal detectors; while the second led to the present mishmash of regulations, concerning inter alia the carrying of electrical items and the problem of identifying which passengers are responsible for which pieces of luggage.

Events like these also imprinted the notion of airline security on travellers' minds. Other aspects of aviation safety (such as airworthiness) are easier to forget about; but airlines now work on the basis that security must not only be done, it must be seen to be done. That it is, in fact, a matter of customer comfort to make them go through the security checks involved in an international flight. El Al's famous lengthy cross-questioning of passengers before they get on a flight, for instance, manages to be both irksome (it takes ages) and at the same time profoundly comforting (at least a Leila Khaled is less likely to be on board).

Some airlines are so uneasy at the prospect of even discussing security – in conditions of reduced global tension or otherwise – that they can barely allow the word to cross their lips. As Air France (which has recently re-introduced scheduled flights into Beirut) says: "There's one subject that airlines won't talk about, and that is security."

A British Airways spokesman did break ranks, and promptly tied himself in knots trying to say something without actually revealing anything: "The only answer I can give is that a large part is intelligence. We liaise with all the intelligence authorities around the world and adjust our measures to suit." Meaning? "You've got a very high level of security measures at all times anyway and we can go up two or three notches from that and then go down a notch or two. But it remains at a very high level."

For the airport authorities, as well as the airlines, the fact is that to talk about security is to some extent, to breach security. And no one in their right mind is going to advertise, say, a slimming-down of baggage checks, even if such a thing were on the cards. According the British Airport Authority: "The thing about security is that we review it constantly and we certainly wouldn't be making any reductions. The process of review never stops, it's an ongoing situation."

In fact, much of Britain's airline and airport security is mandated directly by the Department of Transport. There is a bottom line imposed by the DoT, below which carriers may not go; although they can add further procedures as they choose. Some of the more recent DoT regulations include checks on baggage going into the holds of aircraft (in addition to the hand luggage searches introduced some years ago); tougher security arrangements for airport staff; and making it an offence to give false information about the contents of one's baggage.

Having raised the stakes to their current height, there is clearly no easy way to lower them again. In Japan and the US, where the IRA, the Red Brigade and the PFLP have not been so active, flight security can sometimes seem extremely relaxed. But elsewhere air travellers will continue to face the same hours of tedium that they have come to know so well over the last two decades.

ARCHITECTURE

View of Wardour's hidden treasures

Colin Amery on the castle's restoration appeal

Wardour Castle, in Wiltshire, feels like the setting for Brideshead Revisited. It is one of the great 18th century houses of England. It was built for Lord Arundell in the 1770s, with both a house and chapel designed by James Paine. Outside they are severe and uncompromising. Inside, they both contain brilliant surprises. In the house, there is a staircase that is an architectural *tour de force* and the whole interior of the chapel is a decorative triumph.

The recent history of Wardour has not been entirely happy. In 1960 the great house became Cranborne Chase School. Inevitably new buildings were added, and alterations were made that changed the character of the place. The school closed a few years ago and the house has been sold to be divided into apartments.

The chapel had an independent existence run by the Jesuits who have cared for its treasures, and in 1992 a programme of structural repair was undertaken. An appeal was launched and funds are needed to complete the work.

As part of this appeal an exhibition and sale of paintings has been mounted at Christie's in London. One hundred artists were commissioned to paint their impressions of Wardour and the results are on view at Christie's in Ryder Street, St.James's, London, SW1, until September 9.

During this week it is not just the paintings that are on view but also a display of some of Wardour's hidden treasures. There are historic vestments of extraordinary quality as well as silver and gold – a reflection of the panoply of worship from the 18th century.

Short of visiting the chapel itself (Wardour is near Tisbury, in Wiltshire) it would be difficult to think of a more imaginative evocation of a great building than this exhibition.

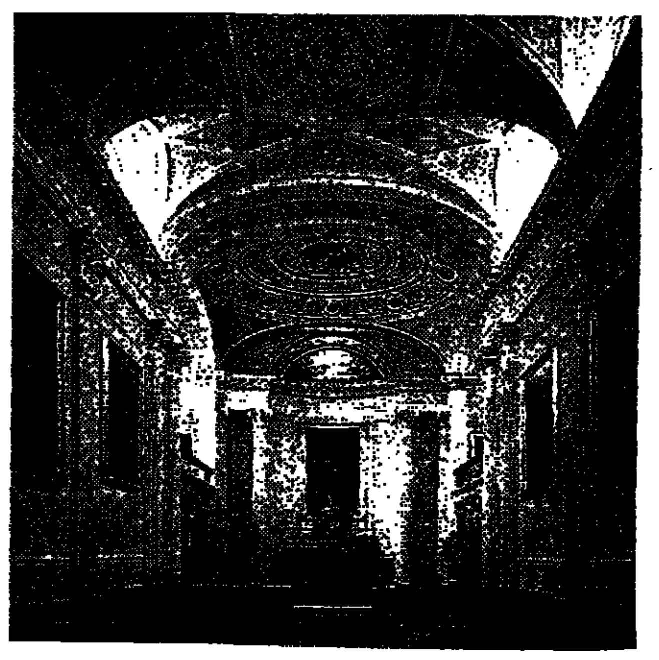
Although technically a private chapel, it is the size of a major parish church. James Paine finished it in 1776 and then Sir John Soane added to it in 1790. Its visual climax is the sumptuous altar which was commissioned from that master of the Roman Baroque, Giacomo Quarenghi.

Great and splendid rituals must have been conducted around this altar and they were enhanced by the vestments and precious vessels.

It is important not to miss the vestments which are some of the finest examples of ecclesiastical needlework to be seen anywhere. The three-dimensional quality of the work on the famous Westminster chasuble is staggering. Tudor roses, portcullises, flueurs-de-lis and pomegranates are scattered across red velvet with a liberality that is gloriously extravagant. We are in the arcane world of the orphrey and dalmatic, the cope and the chasuble – theatrical yet sacred garments that are a far cry from the hessian cross stitch garments that pass as vestments in the modern catholic and Anglican church.

There are several paintings that evoke the chapel well – work by Alan Dodd, Edmund Fairfax-Lucy, Jane Dowling and Riccardo Cinalli is some of the best. There is enormous variety and work in all media – even a set of painted porcelain; teapot, cups and bowl - inspired by Wardour and made by Melinda Patton.

The idea of encouraging contemporary artists to contribute their work to help save an older work of art is an inspired one. Wardour Chapel of All Saints is celebrated by this exhibition and shown to be one of the great 18th century churches of Europe that deserves to be perfectly restored.



Alex Starkey

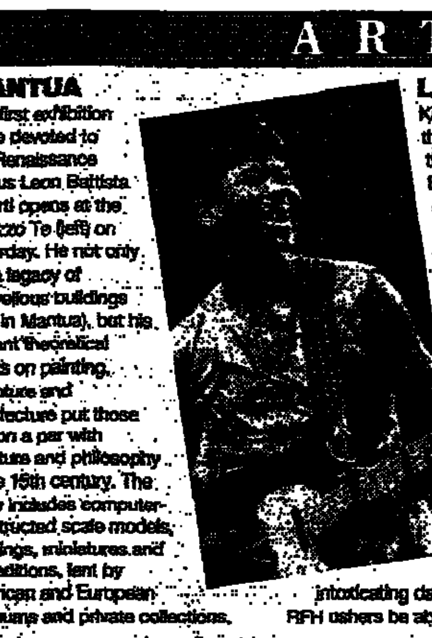
Wardour chapel: interior is a decorative triumph

ARTS

OPENINGS

NEW YORK
New York City Opera starts its autumn season at the Lincoln Centre on Thursday. The main interest in the opening week is the first night on Saturday of a new production of Borodin's "Prince Igor", not seen in New York since City Opera's last production in 1969. The cast is headed by several Russian principals, and Damian Woetzel of City Ballet will choreograph the Polovtsian Dances. The season runs till November 20.

MANTUA
The first exhibition to be devoted to the Renaissance genius Leon Battista Alberti opens at the Palazzo Te (left) on Saturday. He not only left a legacy of marvellous buildings (two in Mantua), but his brilliant theoretical works on painting, sculpture and architecture put those arts on a par with literature and philosophy in the 15th century. The show includes computer-constructed scale models, drawings, miniatures and first editions, lent by American and European museums and private collections.



LONDON
King Sunny Ade and the Africa Beats bring their ju-ju music to Europe this week with concerts at Amsterdam's Paradiso on Wednesday, the New Morning in Paris on Thursday and London's Royal Festival Hall on Friday. Fusing traditional Yoruba folk tunes with Ghanaian highlife, the twenty voices, electric guitars and talking drums make intoxicating dance music. Will the RFH ushers be able to cope?

GLASGOW
Scottish Ballet starts it autumn touring with a revival of Peter Darrell's "Cinderella", with a fetching Rossini score. The company celebrates it Silver Jubilee this season, and the production is a memorial to Darrell, founder and chief choreographer to the company.

LOS ANGELES
The city of angels hosts the largest multi-disciplinary festival of British arts in North America. Highlights of the festival's more than 70 events include a back-to-back showing of works by the RSC (Shakespeare's Henry VI The Battle for the Throne, directed by Katie Mitchell) and the National Theatre (David Hare's *Racing Demon*); the premiere of Kenneth Branagh's film Mary Shelley's Demon); solo performances by Lynn Redgrave, Miriam Margolyes and Steven Berkoff; and an official royal visit from Prince Charles. The festival opens on Wednesday with a Hollywood Bowl concert by the Halle Orchestra of Manchester, conducted by Kent Nagano.

Barricades up at the Bastille

A time-bomb has exploded at the Paris Opéra with the sacking of its music director. **Andrew Clark** reports

When the Paris Opéra Orchestra meets today for the first time since the summer holidays, it is unlikely to make music. The players are almost certain to vote for a strike in support of their sacked music director, Myung-Whun Chung. Without an orchestra, the Opéra will be unable to open its season in two weeks' time.

A strike at the Opéra is nothing new. It has been a financial, administrative and artistic mess for the past 15 years. Its huge, high-tech Bastille headquarters – inaugurated in 1989 as one of President François Mitterrand's *grands travaux* – has only made matters worse, lurching from one catastrophe to the next.

But this dispute is different. It is the first major upset to the French government's plan to restructure the Opéra, restore its artistic credibility and reduce its deficit. That plan places complete executive power in the hands of one man – Hugues Gall, an internationally-respected opera administrator who currently runs Geneva's Grand Théâtre. He is due to take up his post in Paris next summer.

Gall, assisted by the Opéra's interim management, opened talks with Chung in March, aimed at renegotiating the Korean conductor's lucrative long-term contract. As it stood, the contract invested Chung with artistic powers which Gall himself expected to assume. Gall wanted to reduce Chung's responsibilities, to shorten the contract and limit his pay. At the end of June, Chung received an ultimatum saying that unless he accepted the terms offered, the contract would be annulled. On August 12, he was dismissed.

Since then, the conflict has descended into a legal tussle, with Chung waging a vociferous public campaign to portray himself as the wronged party. He appeared to win an important victory last week when a Paris court ordered his reinstatement – at least until the grounds for his dismissal were clarified (which might take months). But the ruling could not be enforced: by a quirk of French law, no-one can forcibly enter a public establishment against the wishes of its management. On arriving at the Bastille, Chung and his lawyer found their way to the rehearsal room barred by the interim director, Jean-Paul Cluzel, and a posse of security men. The locks to his office had been changed. His furniture was impounded.

Until now, Chung has had the biggest voice in the Opéra's artistic decision-making. He had a free hand in choosing repertoire, guest conductors, production teams and singers. His contract guaranteed him a minimum 30 performances a year, rising to 50 over an eight-year period. His fee for each performance would have increased from FFr80,000 (£10,000) in 1992 to FFr177,000 (£20,000) by 2000. He was also paid a salary as music director. The package was worth FFr3.5m a year at the time of his dismissal – or FFr8m (£1m) by the end of the decade. It was a time-bomb planted by Pierre Bergé, Chung's patron and friend of President Mitterrand, in the dying months of the last Socialist government. Bergé knew it would blow up in the face of an incoming centre-right administration with its own ideas about how to run the Opéra.

Chung's pay made good headlines, but the crux of his conflict with Gall was artistic power. "Gall made it clear he had to take all the decisions," says Chung. "Of course you need a strong man at the top, but not a dictator. I have never taken decisions alone on casts and production teams. In any normal situation, the management discusses these with the conductor, and a decision is taken by mutual agreement. Under the terms I was offered, they could have told me to conduct 40 ballet performances and I would have had no choice."

Chung was appointed shortly before the Bastille opened in 1989, a little-known 36-year old who did not even speak French. The Opéra orchestra had been decimated by months of inactivity. In the five intervening years, Chung has been the only stable element in the Opéra's administration. While a string of managers came and went, Chung filled the vacuum and accumulated power. He made the orchestra his priority – defending its rights, improving standards and bringing in lucrative recording work. He enjoyed his job at the Bastille, and wanted to continue.

Chung's dedication and skill earned him the respect of a notoriously fractious group of musicians. "It was anarchy when he came", recalls the cellist Marc Latarjet. "He did a good job, he raised our profile. We had concerts, recordings and tours, so we weren't always stuck in the pit. Nobody will do this for us in future. We need a music director to keep discipline and resolve our problems. Now someone wants to destroy the only thing that was good in this troubled house."

Gall had always made clear that Chung would not figure strongly in his plans. He did not need a music director; at most, he wanted someone to keep the orchestra in shape. While acknowledging Chung's achievements, Gall says the conductor's advisers exaggerated his experience and ability. "Chung makes himself out to be on the level of the top ten conductors in the world. The gap between his performance and theirs is important. If you look at Haitink at Covent Garden, he has none of the powers in Chung's contract, and not half the money."

Gall's brief is to put the Opéra in order. To do that he must run it the way Rudolf Bing ran the Met for 22 years, the way Gall's mentor Rolf Liebermann ran the Opéra in the 1970s – with absolute power gathered in his hands alone. Those were the conditions on which he accepted the job. He had no intention of sharing responsibilities with Chung.

Gall set out his plans in a report last autumn. He would stick to agreed spending limits. He would close both theatres (the Palais Garnier and the Bastille) at different times, to carry out the repairs and investment necessary to their efficient running. He would transfer the grand classical ballets to the Bastille, and return a select slab of the opera repertory to the Garnier. He would provide a quick injection of what the Opéra has been missing – mainstream repertory in non-weird productions, capable of being frequently revived. On the basis of these reforms, he hoped to lure back the top-rank conductors who have shunned the Opéra since the Liebermann era.

Gall is viewed by most observers as the one person capable of sorting out the Opéra's problems. His only mistake so far is to have expected Chung to go quietly.

Myung-Whun Chung: way to the rehearsal room was barred by the interim director, Jean-Paul Cluzel, and a posse of security

Pop concert

Jeff Buckley moves out of the shadows

It is Jeff Buckley's misfortune that this, his first major European tour, will be the one in which his work is repeatedly compared with that of his late father, Tim. He had better just get used to it and move on. As his debut album, *Grace*, shows, he has the talent and confidence to move out of the shadow of one of the brightest stars in the fragile firmament of 1960s singer-songwriters.

Where Buckley *père* tended towards jazz-tinged melancholy and introspection, Jeff prefers a more muscular approach, happy to blast away at his guitar when the occasion demands, but using his similarly soaring voice to ride over the crashing chords as he demonstrated on Friday night in the dark, dingy atmosphere of The Garage in Highbury.

More successful are the songs which portray a keen intelligence and willingness to experiment of which his father would have been proud: "Mojo Pin", all angles, floating vocals and unexpected key changes; the rhythmically buoyant and exuberant "Grace"; the rockier, slide guitar-led "Last Goodbye". The trouble with both album and live performance is that these stand-out tracks come rather too early; they establish a standard of excellence which proves difficult to maintain.

While one can understand Buckley's desire to slow things right down and show off the range and rich tone of his voice, his cover versions of "Lilac Wine" and Leonard Cohen's "Hallelujah" are a wasted self-indulgence, especially when his own material is so strong.

It took the Jim Morrison-like "Dream Brother" and the heavy metal "Eternal Life" to zap some energy back into the proceedings, although by this time the level of chatter among the audience was getting disturbingly loud.

What remains unequivocally true is that Buckley is a star in the making, from his self-deprecating way with his good looks (pointing out to the audience a "pimple which Sony couldn't pop") and his hip put-downs to the startling ambition of his song-writing. By the end of this tour, Tim will begin to be respectfully forgotten, and Jeff will pick up a privileged mantle indeed.

Peter Aspden

Jeff Buckley's European tour ends in Paris on September 22.

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS
Philharmonie Tonight and tomorrow: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Prokofiev, Tchaikovsky and Stravinsky, with cello soloist Natalia Gutman. Tonight (Kammermusiksaal): Alfred Brendel and friends play chamber music by Mozart and Schubert. Thurs: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in Elliott Carter's First Symphony and Bruckner's Third. Fri and Sat: Daniel Barenboim conducts Berlin Philharmonic Orchestra in works by Goldmann and Bruckner. Sun morning: Rafael Frühbeck de Burgos conducts Orchestra and Chorus of the Deutsche Oper in an all-Mendelssohn programme, with violin soloist Vadim Repin. Sun morning (Kammermusiksaal): Claudio Abbado conducts members of the BPO in Bach and Hindemith. Sun evening, next Mon: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in Goldschmidt and Mahler. Next Mon (Kammermusiksaal): Radu Lupu piano recital (2548 8132)
Schauspielhaus Thurs, Fri and Sat: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Webern, Kuhlau, Mozart and Schubert, with soprano Nathalie Dessay. Sun afternoon: Hartmut Haenchen conducts CPE Bach Orchestra in a Bach programme (2090 2156)
Jesus-Christus-Kirche Sun: Lothar Zagrosek conducts Berlin Radio Orchestra in a programme of music by Berthold Goldschmidt, including his cello and clarinet concertos (2548 9250)

OPERA/DANCE
Staatsoper unter den Linden Tonight: final guest performance by Roland Petit's Ballet National de Marseille. Sep 17, 22, 23, 27, 29: Rudolf Nureyev's production of Raymonda (200 4762/2035 4494)
Deutsche Oper Tomorrow, Thurs: Die Zauberflöte. Wed: Katya Kabanova with cast headed by Karan Armstrong. Fri, Sun: ballets by three young American choreographers. Sat: Aribert Reimann's 1992 Kafka opera Das Schloss, starring Wolfgang Schöne. Next Tues: Christa Ludwig song recital (341 0249)
Hebbel-Theater Fri: René Jacobs conducts first night of Jean-Louis Martinoty's Schwetzingen production of Florian Leopold Gassmann's L'opera seria, with cast headed by Renato Capecchi, Robert Gambill, Jeffrey Francis and Janet Williams. Repeated Sep 11, 13, 15 and 18 (200 4762/2035 4494)
Komische Oper Fri: Cosi fan tutte. Sat: Cav and Pag. Sun: Giulio Cesare. Sep 16: new production of Berthold Goldschmidt's Der gewaltige Hahnrei (229 2555)

THEATRE
A new stage adaptation of Pushkin's Boris Godunov, directed by Gero Troike, opens on Sat at Volksbühne am Rosa Luxemburg Platz (292 3394). A musical based on the tale of Cyrano de Bergerac opens on Sun at Theater des Westens, with previews from Wed (882 2888)

NEW YORK

THEATRE
● Philadelphia, Here I Come!: at last, a new show on Broadway - and a play, no less. Milo O'Shea, Robert Sean Leonard and Pauline Flanagan star in Brian Friel's drama about the rocky relationship between father and son in rural Ireland. Directed by Joe Dowling. Final previews tomorrow and Wed, opens on Thurs (Roundabout, 1530 Broadway at 45th St, 869 8400)
● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The show has been running on Broadway for 18 months, but the recent addition of singer Carole King has provided a little heat to the box office (Music Box, 239 West 45th St, 239 6200)
● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)
● Crazy for You: the musical based on Gershwin's Girl Crazy is now in its third year on Broadway. A highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239 6200)
● Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)
● Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has confidently assumed the starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

OPERA/DANCE
State Theater New York City Opera's autumn season begins on Thurs with Madama Butterfly. Borodin's Prince Igor, opening on Sat, is the company's first new production of the season: Guido Ajmone Marsan conducts a cast headed by Valery Alexeyev, Vladimir Grishko and Oksana Krovytska, with choreography by Damian Woetzel of New York City Ballet. The season runs till Nov 20. Repertory in the opening month includes Carmen, Tosca, Delibes' Lakmé and Die Zauberflöte (870 5570)
Metropolitan Opera The opening night gala on Sep 26 features Placido Domingo in Puccini's Il Tabarro and Luciano Pavarotti in Leoncavallo's I Pagliacci, conducted by James Levine. Teresa Stratas and Juan Pons sing in both operas. The first new production is Shostakovich's Lady Macbeth of Mtsensk, opening Nov 10 (362 6000)

CONCERTS
Avery Fisher Hall The New York Philharmonic begins its new season on Sep 21. The orchestra's music director, Kurt Masur, conducts the first three weeks of concerts (875 5030)
Carnegie Hall The Academy of St Martin in the Fields, with mezzo Cecilia Bartoli, opens the season on Sep 29 (247 7800)

PARIS

OPERA
● The Opéra Bastille is due to open the season on Sep 19 with a new production of Simon Boccanegra, but the management is in the throes of a legal tussle with its sacked music director Myung-Whun Chung - a battle which may affect the opening date. The season also includes Madama Butterfly, Le nozze di Figaro, Lucia di Lammermoor, La Damnation de Faust, Un ballo in maschera, Iphigénie en Tauride, Die Zauberflöte and I Capuleti e I Montecchi (4473 1300)
● The new Ring production at the Châtelet continues with Siegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840)

DANCE
● One of France's leading young choreographers, Philippe Decouflé, brings his troupe to Théâtre de la Ville for two weeks of performances starting on Fri (4274 2277)
● The Paris Opéra Ballet's 1994-5 season takes place mainly at the Opéra Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine's Le Palais de cristal (Symphony in C) to Bizet, The Four Temperaments to Hindemith, and Jerome Robbins' Glass Pieces to Glass (12 performances till Nov 17). The season also includes a young dancers programme, Nureyev's production of Swan Lake, a triple bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programme (4742 5371)

CONCERTS
Semyon Bychkov conducts the Orchestre de Paris in the opening concerts of the new season at Salle Pleyel on Sep 14 and 15, with piano soloist Radu Lupu. The orchestra spends the rest of the month on tour in Austria (4561 0630)

FESTIVAL D'AUTOMNE
This year's festival runs from Sep 20 to Dec 30. Highlights include Peter Stein's Moscow staging of the Oresteia, a Robert Lepage production, a Bob Wilson adaptation of Dosteyevsky, and The Merchant of Venice directed by Peter Sellars. The dance programme is headed by Trisha Brown Dance Company, and there is a special focus on the music of György Kurtag (Festival d'Automne à Paris, 156 rue de Rivoli, 75001 Paris. Tel 4296 1227 Fax 4015 9288)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

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NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

Aim at the climate, not the weather

A book which made a lasting impression on me in my last year at high school was Peter Drucker's *The End of Economic Man*, published in 1939. Although the author had already long been resident in the US, it was in the best tradition of central European speculative thought. His thesis (speaking from memory) was that Nazism was neither a form of capitalism nor of socialism, but a revolt against the whole utilitarian, nicely calculated "lore of less or more", in favour of more primitive collective urges.

In subsequent years Drucker has become best known as an American management guru; and, as someone who would not be allowed to manage the proverbial whelk-stall, I lost track of him. But I could not believe that he had lost his wider interests; and sure enough, his list of public works shows that he has continued to reflect on society, ideas and politics. His latest venture, published last year when he was 84, is a kind of *summa*.

Although entitled *Post-Capitalist Society* (published by Butterworth-Heinemann), it is free both of Spenglerian gloom and of the posturings of futurologists. Instead, he focuses on trends already visible. He is now sure that market values are here to stay and regards longing for an imaginary medieval past as mainly a reflection of ignorance of what the Middle Ages were really like.

The emerging society is post-capitalist in the sense that the Marxist vision of a few private owners versus an army of propertyless workers is dead. Indeed, workers own the enterprises through their pension funds. Moreover, physical capital is no longer dominant and is now subordinate to what mainstream economists call human capital and Drucker prefers to call "knowledge". Mainstream economists may say that he is unduly preoccupied with Marxism and the reaction to it, and they no longer think of variables such as Land, Labour and Capital in upper-case letters, but of innumerable products and factors of production designated by algebraic letter. For this very reason, much of their work is cold and uninformative.

As it is based on current realities, Drucker's vision of the knowledge society cannot be entirely surprising. But the all-important details are more perceptively highlighted than elsewhere. For instance, the emerging society is individualistic – it is full of specialists who cannot be bossed about by their superiors who lack the knowledge to do so – but it is still highly dependent on organisations.

Drucker has spotted that "contracting out" is the Big Idea common to advanced corporate practice, privatisation schemes and voucher proposals for schools and universities. The key is that people should concentrate on what they are trained to do and do best. When cleaning is done by directly-employed Mrs Mops, it will usually be a low-grade activity hardly worth the attention of the deputy chief executive. Contracted out to a specialist company, it becomes a principal activity in which employees can take a pride – as I have seen when staying late at the office.

Drucker has spotted that 'contracting out' is the Big Idea in all sectors

On the larger question of the nation state, Drucker points out that it has lost its dominance, but it is still the only fully developed political institution. Indeed, the effect of money and information becoming transnational is that states can be of almost any size. When his native Austria was forcibly separated from the Hapsburg empire after the first world war, it was universally condemned (even by its own inhabitants) as too small to survive. Yet it has recently prospered, along with even smaller states like Slovenia.

One of Drucker's most eloquent asides is on the futility of military aid to friendly regimes. "To the threat: if you do not give us these arms we'll get them elsewhere, the proper answer is: go ahead." In no instance has such aid stabilised a region; too often the recipients became "international terrorists who use the military aid they receive to turn their country into a land-based pirate ship to terrorise the international community", as Saddam Hussein did.

Drucker is also always interesting on Japan, which he treats as a traditional nation-state. Like many European countries before the first world war, Japanese governments have been certainly prepared to give their local industries a helping hand, but stayed clear of social engineering or massive expenditure programmes.

In the end, the reason why I decided to write about *Post-Capitalist Society* is that, in a couple of paragraphs, he makes more sense of macroeconomic policy than most lifetime specialists. "Every government promises to cure recessions. But this is pure quackery. No government has been able to deliver." Political leaders, he argues, should instead try to regain the ability to avert major depressions.

This means balancing budgets, not only in normal times but even in modest recessions, so that governments can afford to borrow to invest in the infrastructure, which is always in bad repair, when a real slump threatens. How to do so without encouraging the mega-state on which Drucker is as scathing as anyone is, of course, a problem. But he has a good point when he argues that recent Japanese attempts to encourage consumption instead sparked off a property boom from whose residue the country is still recovering.

Drucker's central economic point, however, is that governments should concentrate on influencing the climate instead of on futile attempts to change the weather – a fruitful analogy, which it is astonishing has not been used more often.

Truly, deeply and profitably

Oil companies are successfully tapping previously inaccessible reservoirs, says **Robert Corzine**

For much of this year US-registered exploration rigs have been flocking to the Gulf of Mexico to take part in what promises to be one of the most remarkable changes in the fortunes of an oil-producing area.

After nearly 45 years of production, one of the world's most extensively drilled pieces of oil and gas-bearing seabed is attracting renewed interest from oil companies – in spite of relatively low world oil prices.

The reason is that new technology has given oil companies the ability to explore large, geologically-complex areas, which were previously not thought to contain oil, or which defied conventional exploration methods. Industry observers say the new reserves in the Gulf of Mexico that can now be tapped could be large enough to slow the steady decline in overall US domestic production.

The new techniques could also extend the productive life of other mature areas, including the UK and Norway's reserves in the North Sea.

The resurgence of interest in the Gulf of Mexico results from two innovations. One is the growing technical ability to operate oil production platforms in deep water. The other is the extensive use of a new seismic technique which, combined with advances in computing power, is pinpointing oil and gas reserves where previously they could not be seen.

The first of these innovations is the most visually dramatic. Until recently, most of the world's offshore oil platforms sat above a lattice work of steel, firmly fixed to the ocean floor. But the volume of steel needed to fix a deep-water platform to the seabed would make them uneconomic.

To overcome this problem, oil companies working in the Gulf of Mexico are using the first of a new generation of floating structures known as "tension leg platforms". These are held in place by 12 steel pipes, each more than half a mile long, that run from the floating hull to the ocean floor. The design eliminates most unwanted vertical movement while allowing the structures to move with the waves.

The first of these new structures came into operation in April when production commenced at Shell Oil's Auger platform in the Gulf of Mexico. It lies in 2,860 feet of water, a US record and one of the deepest oil platforms in the world. A new US depth record will be set in 1996 when Shell and its partner, British Petroleum, install a $1.2bn (£770m) platform in 2,933 feet of water over the Mars field, found in 1989 and the largest discovered in the gulf in 20 years.

Lessons learnt in the Gulf of Mexico are being applied elsewhere. Shell and BP are partners in two UK deep-water projects west of the Shetland Islands that are currently being assessed for production.

Mr Bob Howard, vice-president of domestic operations for Shell Oil, says the new drilling technology could help exploit an additional 8bn-15bn barrels of oil in the Gulf of Mexico. In contrast to the small reservoirs common in the shallow water of the gulf, the new deep-water fields have much larger reserves. In the early 1980s, most geologists thought that these off-shore deep-water fields contained few oil-bearing sands, says Mr Howard.

If these estimates are confirmed, it would place the Gulf of Mexico deep-water reservoirs in the same league as Alaska's Prudhoe Bay, the biggest single oil field in the US, which accounts for a quarter of the country's daily output of 6.6m barrels.

The change in exploration outlook was largely brought about by the second innovation that is opening up more of the world's oil reserves – the use of a three-dimensional seismic technique. This has allowed geologists to "peek around corners", says Mr Howard.

The new technique uses the same principle as conventional two-dimensional seismic surveys. Air guns towed by boats generate sound waves. The reflections from rocks under the seabed are picked up by lines of underwater sound receivers, known as hydrophones, towed by the boats.

But three-dimensional surveys use many more air guns and hydrophone lines placed in parallel. That allows seismic "snapshots" to be taken every 25 metres, compared with typically every 2km-3km in the past. The large amount of data generated would be useless, however, without rapid advances in computer processing. Mr David Work, group vice-president for exploration at US oil company Amoco in Houston, says increased computer power has cut the cost and the time it takes to interpret the data. "It now costs $50,000 to process the same information that five years ago cost $250,000," he says.

BP officials say such technical advances have cut the time between the first seismic shot being fired and an exploration well being drilled to as little as six months. A couple of years ago the process would have taken two years.

The $1bn or more that it takes to build a new generation deep-water platform has restricted interest to big oil companies. But smaller ones are among those leading the way in using three dimensional seismic surveys to explore beneath the seabed, where sheets of salt until recently formed a impenetrable blanket over as much as 60 per cent of the Gulf of Mexico.

"Five years ago if you hit salt you would stop drilling," says Mr Clive Fowler, vice-president of Amoco's offshore business unit in New Orleans. The two-dimensional seismic technique then in use gave geologists insufficient detail to determine where the salt ended and any oil-bearing rocks began. But three-dimensional seismic combined with computer power have helped geologists to "see" below the salt sheets, which can be about 5,000ft thick.

The race to discover new fields in the Gulf of Mexico began last year when a consortium comprising Philips Petroleum, Amoco and Anadarko, a US independent explorer, announced a big commercial sub-salt discovery in the gulf. That set off competition to secure new government leases in areas covered by the salt.

Experts are divided over whether the sub-salt reserves will rival those in deeper water. But "if the sub-salt play is for real, it could be like rolling the clock back 30 years in the Gulf of Mexico", says Howard, Weil, Labouisse, Friedrichs, the New Orleans broker specialising in the energy industry.

Unlike the deep-water finds, many of the most interesting sub-salt areas are in shallow water close to existing platforms and pipelines. That should keep development costs low. But even with the advantage of existing infrastructure and new seismic techniques, Mr Work does not expect the commercial success rate in developing sub-salt fields to lead to big improvements from the 10-12 per cent success rate in traditional areas.

There are many technical problems, including the difficulty of drilling through the plastic-like salt without causing the well walls to collapse. Some industry observers predict that there will be "many disappointments".

Earlier this summer, Philips and Anadarko announced the abandonment of a sub-salt exploration well due to problems with the well, even though it had hit large amounts of oil and gas.

Some oil executives believe the full potential of the gulf will not be realised without government help. They say the high risk associated with deep-water development means that as much as half of the potential reserves might not be exploited unless the government provides royalty relief or a production tax credit.

Both proposals are being considered in Washington. But Ms Hazel O'Leary, energy secretary, says any relief would have to be "revenue neutral", and not add to the federal budget deficit. The industry says any financial aid would pay for itself, with up to 100,000 jobs created by full-scale, deep-water development.

But even if the full potential of the Gulf of Mexico is realised, it is unlikely to be enough to reverse the decline in US domestic production, caused mainly by the depletion of mature onshore fields.

The government says large reservoirs of oil remain to be discovered in US coastal waters apart from the Gulf of Mexico. But most of these areas are covered by Congressionally-imposed environmental bans on drilling.

The impact of the technical innovations on the reserve base and cost structure on the US oil industry will be substantial, however, even if their application is mainly confined to the Gulf of Mexico and other existing oil regions.

In addition to pinpointing new reserves, three-dimensional seismic surveys of existing fields have uncovered nearby deposits missed in earlier studies. The technique has also given companies a better idea of how more oil and gas can be extracted from an existing reservoir, while the increase in information available to geologists has reduced the number of expensive, exploratory wells that need to be drilled in prospective fields.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Better mechanism needed so legal aid system not abused

From Mr Dryden Gilling-Smith.

Sir, John Mason ("Cheap ride on trial", August 30) rightly draws attention to the scandal of legal aid payments to tycoons facing criminal charges, while help for the genuinely poor is being more tightly rationed. In many cases the apparently easy availability of legal aid to the astute fraudster has resulted in an unwelcome burden on industry.

The burden is borne by employers (and falls disproportionately on smaller employers) who take ex-employees to court following their discovery of in-house fraud, usually at senior level. The cost of making an example of such persons can be prohibitive if the offenders can fight a long war of attrition funded by state legal aid.

The state should be encouraging and not discouraging public-spirited employers from bringing fraudsters to book. Without this deterrent industry would risk even larger losses through fraudulent misappropriation of funds. It is also a fact of life that the fraudster, who has been able to outwit his company's security checks, is best equipped to outsmart the legal aid system.

Frustration knows no bounds for a company spending vast sums in legal fees in the task of bringing a crooked former director to book, not only when he miraculously "divests" himself of substantial assets in order to qualify for legal aid, but when he also qualifies for income support so that the state pays his mortgage interest and council tax on the grounds that his own company is only paying him a pittance for working eight hours a week, because he needs the rest of his time to prepare his defence.

Sadly, this pattern of experience has been the lot of too many UK companies. A more effective mechanism for preventing such abuse of the legal aid system would not only benefit the tax payer but also the large number of UK companies for whom the costs of their continuing war against fraud has been grossly inflated by the apparent ease with which wealthy fraudsters have been able to qualify for legal aid.

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Legislation has clearly proved to be solution to cutting credit periods

From Mr Bo Göranson.

Sir, You contend that countries with extensive legislation on late payment typically have longer credit periods than in the UK ("Venturing capital", August 25). You are right in one case – France has credit periods averaging around 56 days compared with 31 in the UK. However, France has only recently introduced statutory interest and other measures and long credit times are more a factor of French culture than anything else. In all other cases, you are wrong. Germany, The Netherlands, Sweden, Norway and Finland, all of which have had extensive legislation against late payment for some years, have shorter credit periods than in the UK, with the lowest being 20 days in Germany. This has been confirmed by research from the Commission itself and many other organisations, including Intrum Justitia.

You say payment periods in these countries have lengthened recently. True, they lengthened by a few days due to the European recession, but in several countries they are now improving again. Also, these few days one way or another do not change the fact that all these countries have much lower late payment periods than in UK, in some cases one third the length – payments in Sweden are on average seven days late compared with 23 days late in UK.

Voluntary measures encouraging companies to pay on time are what you suggest to deal with the serious problem of late payment. You neglect to mention, however, that such voluntary measures have been tried in several different forms by the Confederation of British Industry and the government for the last seven or eight years with absolutely zero effect.

It appears very clear to me and obviously the European Commission, along with almost every other western European government, that legislation is the only solution. All the facts prove that where legislation has been implemented it has improved the situation over the medium to long term. It is therefore beyond me and many others why the British government should insist on continuing with purely voluntary schemes. It seems strange that the Financial Times should take the same view.

Bo Göranson,
chairman, Intrum Justitia,
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Mitigating cost of contract termination

From Mr Martin Winter.

Sir, Those concerned about large payments to directors on termination ("Insurers join outcry against large pay-offs", August 20) of contract should always refer company boards to the Companies Act 1985, sections 312 and 316(3). Any payment will require shareholder approval unless it is a *bona fide* payment by way of damages for breach of contract or pension for past service.

English contract law requires that any party suing for breach of contract must mitigate his loss. To the extent loss is mitigated the damages claim is reduced. The claim will similarly be reduced if the party could, but failed, to mitigate his loss.

If the terminated director is able to obtain another job at the same salary on the day after leaving (and he is obliged to make efforts to find fresh employment as soon as possible) his entitlement to damages will be extinguished. While there will always be a judgment on the extent to which mitigation is possible, it may be a relatively rare case where none is possible over, say, an unexpired three-year period of a contract – it requires the judgment that the person concerned will not work at all during that period. If the view can so readily be taken that the services of the terminated director are so little in demand, perhaps shareholders are entitled to wonder whether the executive should have been taken on in the first place.

While welcoming the focus on length of existing service agreements, shareholders may rightly want to assure themselves that mitigation principles are properly applied on any termination. After all, any payment made by boards without appropriate consideration of what mitigation is possible, without proper reference to shareholders, will, in the words of section 312, "be unlawful . . ."

Perhaps a board might even consider continuing to pay the director concerned over the unexpired period of his contract or until he finds a new job – whichever is the sooner. This threat can inject realism into negotiations with a departing executive.

Martin Winter,
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Ringing out the old

From Mr Alan Bjorkvoll.

Sir, Mrs Florence Gilkes did indeed see a button A and B payphone on the island of Soay on August 1 (Letters, September 1). However, BT's large investment programme caught up with the kiosk on August 22, when the old mechanism was replaced by a modern unit. Papa Stour 224 in the Shetland Isles was similarly updated on August 25, thus assuring it of its place in telecommunications history as the UK's last working public button A and B payphone.

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Monday September 5 1994

The chance for a Euro-debate

Last week's proposals from France and Germany for building a "hard core" of states at the centre of Europe launch an essential debate on the future of the European Union. They mark an end to the uneasy truce over the pace and scope of integration that had prevailed since ratification of the Maastricht treaty.

The suggestions from Mr Edouard Balladur, the French prime minister, and Germany's governing Christian Democrats address the question at the heart of the EU's intergovernmental conference in 1996: how can the Union remain an integrated structure while embracing an ever-increasing number of member states?

The challenge is to build a Union that will be more numerous in its membership, more effective in its decision-making, more open in its relations with the rest of the world, more competitive in its economic structures, and more capable of winning loyalty from its citizens.

These are goals to which not just France and Germany but Britain too must pledge support. Since an expanded Europe will be more diverse, it will have to be flexible enough to embrace varying patterns of integration. Unpalatable though it may be for some countries, Europe must accept the inevitability of a multi-speed future – without in the process allowing its decision-making machinery to become hopelessly cumbersome.

The desire to open the EU to the east is a top priority for several member states including Germany and Britain, and rightly so. Reinforcing parliamentary democracy and market capitalism in central and eastern Europe is vital to the entire continent's stability. But unless EU governments find the right formula for enlargement, the process could well aggravate the existing strains in the Union. Widening and deepening – enlargement and integration – will not prove easily compatible.

Huge strains

For a start, enlargement will impose huge strains on the EU budget, both in agriculture and in relation to the structural funds. The German document says a fresh round of reforms in the Common Agricultural Policy will be needed to enable the central and eastern European states to join the Union around the year 2000. This is a welcome shift in thinking since, up to now, Bonn has shrunk from publicly accepting the need for such painful adjustments. The message needs to be brought home with brutal clarity, not only in France but also in the Mediterranean states that remain major net beneficiaries from agricultural and structural funds.

Still more potential for discord lies in the German admission that Italy, Britain and Spain are unlikely to be in the group that first accomplishes economic and monetary union. This assertion, although controversial, is little more than a statement of the obvious. In monetary affairs, as well as in immigration and justice matters and foreign and defence policy, different EU groupings are already co-operating with varying degrees of intensity, as Mr John Major pointed out three months ago in espousing a "multi-speed, multi-track Europe".

Hard core

However, the existence of a "hard core" for the third stage of Emu does not inevitably mean the same group constituting the core for all other forms of co-operation. And it does not mean that countries outside Emu should not play a leading part in other fields. Italy, Spain and indeed Britain are strongly committed to development of a common foreign and security policy. Other constellations would be keener, say, on a joint immigration policy.

The key to making such "variable geometry" work is twofold. First, co-operation between groups of states should be inclusive and open to extension, rather than exclusive. Second, to avoid undermining the existing level of integration, it is important that members and future members of the EU agree on certain minimum essential requirements.

Above all, economic liberalisation, through the single market, must remain the central component of efforts to improve the Union's productive capacity and its citizens' prosperity. Enforcement of the rules of the single market, and its extension to areas like energy and telecommunications, are essential goals from which there can be no opt-outs.

By launching debate on these issues now, the French and German leaderships have taken a calculated risk. Their prescriptions will certainly offend public opinion – not only in existing "peripheral" member states but also quite possibly in the Nordic countries which face more or less finely-balanced referendums on membership in the autumn.

But the truth is that all member states, present and future, have some extremely difficult questions to answer if they are to make the expanding Union work. It is vital that these issues are aired thoroughly and publicly over the next two years. Only then can the Union's tasks of widening and deepening be successfully reconciled.

Outsiders in Whitehall

The UK government is rightly proud of its record in bringing business executives and other outsiders into top jobs in Whitehall. The newcomers have brought fresh insights to the business of government and helped shake up civil service management. They have also contributed to improvements in the efficiency and effectiveness of public services. But the debate over the wisdom of bringing outsiders into top Whitehall jobs has been rekindled by events at two high-profile agencies.

On Friday, Ms Ros Hepplewhite resigned as chief executive of the Child Support Agency amid continuing criticism of the agency's role in pursuing absent fathers to pay maintenance for their children. Ms Hepplewhite was previously director of Mind, the mental health charity, and had spent most of her working life as a health service manager. During its first year of operation, the agency failed to hit almost all its performance targets – in some cases by a wide margin. Ms Hepplewhite also seemed to lack the political skills needed to deal with critics, particularly on appearances before parliamentary select committees. She has been replaced by a career civil servant who is regarded as a safe pair of hands.

Fears stirred

Mr Derek Lewis, chief executive of the Prison Service agency, also found himself in the news last week, over the transfer of four convicted terrorists from Britain to prisons in Northern Ireland. Mr Lewis, former chief executive of Granada, the leisure group, was accused of insensitivity and incompetence in going ahead with the moves within days of the IRA ceasefire. The transfers stirred fears among unionists of secret concessions to the IRA in return for the ceasefire. The prime minister was said to be "livid", and demanded a speedy inquiry.

Mr Lewis apologised, and seems likely to remain in post. He weathered previous storms such as the loss of seven prisoners by Group 4, the private security group, during the first two weeks of operating a privatised prison escort service. And he has successfully implemented the government's controversial prison privatisation programme, despite criticism of conditions at the first privatised prison. But last week's furore over the transfer of prisoners is the sort of political problem that a career civil servant would have spotted instantly. It demonstrates the need to ensure that those coming from outside the civil service get the advice they need for working in what Mr Lewis has himself described as "a goldfish bowl".

More accountable

However, these events clearly demonstrate one strength of the government's civil service reforms. The creation of agencies headed by a publicly-identifiable chief executive was intended to make public services more accountable. Ms Hepplewhite and Mr Lewis have both experienced the consequences of that accountability in their separate ways.

Indeed, it can be argued that Ms Hepplewhite has taken the rap for others who should share responsibility for the problems of the Child Support Agency. These include the Treasury officials who imposed unrealistically high targets for savings that forced the agency to pursue fathers already paying some maintenance. The policymakers who ignored advice that would have made the maintenance formula more acceptable also have a case to answer. Anonymous civil servants inside Whitehall departments are much less accountable than agency chief executives, as the events surrounding the arms to Iraq scandal and the debacle over the pit closures illustrated.

Eurofighter hits bad weather

Bernard Gray examines the conflicts surrounding Europe's biggest industrial project

The Farnborough air show opens today with all the glitz that an international aerospace bazaar can muster. Centrepiece of the show will be the four-nation, £32bn Eurofighter 2000, with a stand which includes a simulator demonstrating the thrills combat pilots can expect. Unfortunately for the assembled buyers, sellers, observers and enthusiasts, the real Eurofighter will not fly. Preparing an aircraft to perform at Farnborough would take too much time out of a development schedule already two years adrift.

Another of the problems which have dogged the project will surface tomorrow when Mr Volker Rühe, the German defence minister, gives evidence to a parliamentary defence committee in Bonn. Up for discussion is a report from the German national audit office which heavily criticises the cost of Eurofighter, and suggests buying Russian Mig-29 fighters instead.

These are just two examples of the turbulent ride the Eurofighter is likely to get in the next few months as several of the conflicts surrounding Europe's largest industrial project reignite. Those taking part are the UK (primarily British Aerospace and GEC), Germany (DASA), Italy (Alenia) and Spain (Casa).

The German report on Eurofighter's costs, widely dismissed as inaccurate, is bound to produce rhetoric from the project's opponents who object that the Eurofighter is over-engineered and over-priced. While a change of government in Germany is not expected, the run-up to next month's federal elections has created some uncertainly and could conceivably produce a new administration which is not as committed to the project as Chancellor Helmut Kohl's Christian Democrats.

The opposition Social Democrats are opposed in principle, though the party is split with one faction supporting the project because it will secure a large number of engineering jobs. An alliance government of the Greens and the SPD, while unlikely, might pull Germany out of the production phase of the aircraft.

Then there is the thorny issue of how many aircraft each country is going to buy. That number, to be decided next year, determines the amount of work each country gets in the Eurofighter manufacturing run. Germany has suggested that it may reduce its order from 250 to 140. Britain, meanwhile, is thinking of increasing its order from 250 to more than 300 Eurofighters in order to replace some of its Tornado strike aircraft. With disparity arising between the British and German orders, arguments are likely to become more intense over which work should go where.

Assuming, as most observers do, that Germany remains with the Eurofighter, strong political and industrial turf wars will be fought over the £20bn of production work. Resentment of what some German opponents call "the English aeroplane" is likely to be exacerbated if the change in size of both countries' orders mean that Britain's manufacturers take work from Germany.

Of the problems, the cost overruns discussed in the German auditors' report have attracted the most publicity. One UK expert estimates Britain's share of development costs has now overshot by £1bn since 1988. The total development bill is likely to be around £10bn, up from the £6.5bn estimate when the project first started.

In part, that reflects the uncertainty inherent in such leading-edge technology. Many of the elements needed for Eurofighter had to be developed from scratch and their cost could only be guesstimated. But as one insider said: "These open-ended remits have also meant cosy risk-free development deals to fund them. With regular cheques arriving every month, companies have had little incentive to keep costs down."

Nevertheless, the main reason for collaboration is to spread the one-off development costs among several partners. But as the programme is analysed it is becoming increasingly clear that much of the potential gains have been lost because of duplicated overheads and poor co-ordination. Officials will not say how much of the £10bn development cost has been frittered away, but one expert says "estimates are very difficult, but I would think between 30 and 50 per cent of the money has been wasted".

That money has probably gone for good, but some of the errors are steadily being corrected. More of the development risks will be carried by the manufacturers rather than defence ministries, and work is being put on to a fixed-price footing. Confused management structures are being rationalised.

The cost arguments, however embarrassing, are unlikely to kill the project unless another serious hiccup occurs, and that is getting less likely as the project becomes better defined. Nor would a German exit from the programme ground the Eurofighter. Indeed, in some ways a German exit would suit the other partners, since Germany may, in any case, be obliged to pay its share of development costs, and the other countries would then be able to put the aircraft into production themselves.

With much of the development money spent, and strong British backing for the Eurofighter, outright cancellation of the project is hard to envisage.

Besides, the military case for replacing European fighter fleets remains strong. The last generation of aircraft developed in Europe, the Tornado, was manufactured during the 1980s. It is essentially a bomber and air-to-ground strike aircraft, not a fighter. In the Gulf war, Britain's Tornados often had to be escorted by US aircraft because the UK had no fighters equal to the task. There is little desire in the Royal Air Force to repeat the humiliating experience.

Even the sceptical Germans recognise the need for new aircraft, and the view that Germany only needs a light fighter to defend its own airspace may lose ground following Germany's decision to lift its ban on military deployment outside the Nato area.

While they are primarily interested in the high-technology skills and jobs which will flow from Eurofighter, Italy and Spain will also need new fighters in the next decade, and are not overly concerned with the exact specification of the project, provided costs are contained.

The need for new fighters could be easily met by buying off-the-shelf US F/A-18s of F-15s, but these would not guarantee air superiority into the next century. In more advanced designs the alternatives to Eurofighter are thin on the ground. Russian Mig-29 or SU-27 planes are theoretically a cheap possibility. However, becoming dependent on Russia for spares would raise eyebrows in west European defence ministries.

Since the ructions look unlikely to kill Eurofighter, and other alternatives are unattractive, the challenge now is for companies and governments to organise the production phase of the Eurofighter to keep costs at a bare minimum.

If the workshare arguments produce a shake-up of what manufacturing goes where, production may be put on a more rational basis. Though Spain and Italy will want to keep their full quota of work, there is no economic need for the two countries to have final assembly lines, as currently planned. Completing the last stages of the aircraft's construction at the two established lines at Warton in Lancashire and Manching in Bavaria would cut costs. Greater specialisation would also help. Currently one wing is being made in Italy, with the other split between the UK and Spain.

"The companies probably now have a firm enough grip on the project that provided they tender sensible prices the Eurofighter's future is secure," said one aerospace expert, "and those governments moaning about prices could do a lot to help cut costs themselves if they weren't so nationalistic about workshares."

Alison Smith on institutions that have outgrown their ownership structure

Mutual destruction

It seems cruel to propose that the principle of "mutual ownership", where ordinary customers can own the organisation, should go. The term suggests a degree of cosiness in an otherwise cut-throat world where individuals have to deal with large, faceless financial institutions.

Take building societies, the mutual organisations which dominate the UK mortgage market. My savings help to fund your mortgage. My mortgage is funded by other people's savings. By becoming borrowers – or opening investment accounts – we become part-owners of the organisation and, so, are entitled to good treatment. Or take mutual life insurance companies, which account for a significant share of the sector. As policyholders and part-owners, we do not have to hand out a separate portion of profits to shareholders.

The reality, however, is somewhat different. If customers are treated well by a society or life company it is generally because of fierce competition in retail financial services for new customers, not because they have a one-in-a-million say in the organisation's strategy.

Mutual organisations have come a long way – and diversified substantially – since their origins in the 18th century. Many are now financial conglomerates controlling billions of pounds in assets and funds. Control of these organisations by those who own them is so fragmented that it scarcely exists. In short, most of them have outgrown their ownership structure.

Mutuals counter that their system of one-member-one-vote is fairer than companies where the size of a shareholder's vote is decided by the size of the shareholding. But their argument is weak: the scattered nature of mutual ownership means that no one has enough of a stake to challenge how the board behaves.

Except in extreme circumstances, most members do not bother to play an active part in overseeing the management of a mutual organisation. Meanwhile, the increasing complexity of financial services, and the obscure accounting practices of life companies, discourage members from questioning board decisions, even if they do vote.

For example, the Halifax, the

UK's largest building society, has 5.5m members. But fewer than 150,000 took part, either in person or by proxy, in decisions at this year's annual general meeting. Similarly, at Standard Life, the UK's largest mutual life insurer with more than 2.2m policyholders who are members, only 53 attended its annual general meeting in April.

In response to this, the mutuals would argue that their managers' strategies are held to account in other ways: they must attract new customers and satisfy credit ratings agencies. Even the media are not afraid to criticise.

Their argument, however, misses two points. First, none of these checks necessarily replicates the interests of those who own the business. Second, public limited companies are subject to similar disciplines – and attract more attention and provide more information because their share prices are quoted on the stock exchange.

The mutuals' argument falls apart completely, however, when they try to defend the protection they have against hostile takeovers. Under UK legislation, neither building society nor mutual life company boards are obliged to consult their members about takeover offers they oppose.

While the position of shareholders in PLCs is not a financial equivalent of the golden age of Athenian democracy, the model does offer features lacking in mutuals. First, the concentration of votes held by powerful shareholders increases pressure on the board to take account of the interests of the owners, particularly in areas such as efficiency and cost-effectiveness.

Second, PLC status frees individuals to decide whether to retain or sell their stake in the organisation. Those who disagree with a PLC's strategy can simply sell and cease to be owners. They do not have to change their life insurance or mortgage in order to do so.

Later this month, the government is due to publish a consultation paper on the future of building societies, which will include suggestions on how to make them more accountable to members.

Generally, members are not seeking greater accountability – most would be happy if their savings or mortgage organisation were answerable to experts at big institutions. Their primary relationship is as customers, not owners.

The Treasury should widen discussion by proposing the conversion of mutual financial organisations to PLCs, except, perhaps, for the smallest. Making members of mutuals effective owners is a lost cause.

OBSERVER

Passing the OECD parcel

■ Still no word on who is going to get the top job at the Organisation for Economic Co-operation and Development. Jean-Claude Paye, the current incumbent, has to step down at the end of the month and the 25 rich countries who own the Paris-based economic think tank still seem no nearer to finding a successor.

The delay is starting to be embarrassing. It is normal for a new OECD secretary-general to be chosen several months before the handover and with the annual IMF meeting little more than a month away it is far from clear who will be holding the OECD torch.

Don Johnstone, former head of Canada's liberal party, is still the frontrunner and the fact that last week Canada finally appointed a new High Commissioner in London ends speculation that the job was being held open for him in case he didn't get the OECD job.

However, an informal poll of OECD ambassadors suggests that Johnstone's lead is narrowing despite being supported by the US. Paye is running a close second with the UK's Lord Lawson and Germany's Lorenz Schomerus trailing a long way behind.

Paye, like his predecessor Emile Van Lennep, could stay on for another term because OECD members cannot agree on a successor. But if this was going to happen Paye should have had the nod long before now.

One intriguing rumour is that if the Americans drop their support for Johnstone, the French would back the US choice for the Nato secretary-general's job.

Indeed, Douglas Hurd's name is even being mentioned although it is hard to believe that John Major could afford to lose his foreign secretary at the moment.

Lumbered

■ They will soon be humming "I'm a lumberjack and I'm OK" in the forests of Arkhangelsk in northern Russia.

Managers of the Yarensky logging company have found an unorthodox way round paying their hardworking lumberjacks. After a year without salaries, the Itar-Tass news agency reports that brawny Yarensky loggers will be paid in what is, for Russians, a rare commodity – tampons.

It makes a welcome change from washing powder and car spares and should keep the wife happy.

Sickening

■ Ben Cohen, 43, the ex-hippy co-founder of the Ben & Jerry's ice cream chain, is getting a reputation for quitting.

First, he announces that he wants to step down as chief executive of

'If it wasn't for the world population summit we might never have met'

his socially responsible US business, which gives free back massages to its employees and 7.5 per cent of its profits to charity, now he has resigned from the advisory board of Business Ethics, the US magazine just because it has been criticising Anita Roddick's Body Shop.

Although Ben & Jerry's environmental credentials have not come in for the same sort of flak as Body Shop's, Cohen's wacky image is starting to look a bit suspect. Since the firm launched its "Yo! I'm your CEO" essay contest to find Cohen's successor it has been flooded with applicants explaining in 100 words or less why they wanted to head the ice cream maker.

Over 200 animals – including monkeys, horses, dogs and cats – sent in an application as well as hundreds of children, the youngest just 11 weeks' old, who thought their parents would make great CEOs. Most applicants said their first decision would be to give everyone a pay rise.

No wonder the firm has quietly hired Russell Reynolds, one of the world's biggest head-hunters, to find the right person.

Caught Knapping

■ This week's TUC conference should be good news for Jimmy Knapp, the signal workers boss. Not only is he president of the shindig but his troops are supposed to be on strike next Thursday, when most delegates like to slope off home early.

If the Preston-to-Blackpool branch line is shut it should boost attendance on Friday, the last day of his conference. Even if the line remains open the brothers are not going to cross the signal workers picket line to catch the Preston train, are they?

The only slight worry is the possible strain on union finances if delegates insist on taking taxis home. Standard fare from Blackpool to Birmingham is £100 and double that for Blackpool to London.

Of course, there is always the bus, lads.

Hearing aid

■ Meanwhile, a special telephone hot-line has been fitted up in the TUC conference office just so that Knapp can keep in contact with the signal workers' frontline. But Knapp may have trouble in using the phone unless he talks in a whisper since it rings within hearing range of the press tables.

Expect some usually well informed reporting of the signal workers position over the next few days.

Lamb in the dock

■ An old lady in New Mexico wins $2.9m damages after she spilt a cup of McDonald's coffee over herself, and a secretary in New York gets $7.1m for being sexually harassed by her boss. Now an Australian woman has been awarded A$2.2m after being shot by a lamb.

Anne Moulding, 29, was paralysed after she tried to lift the lamb into a truck and its foot kicked a loaded rifle and sent a bullet into her waist. A Sydney Supreme Court judge has ruled the property owner was negligent in failing to take basic precautions in the control of firearms.

Heaven knows the size of the damages, if it had been proved that the shot was triggered by a ram rather than a ewe.

FINANCIAL TIMES
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CDU exploits talk of ex-communist links

German socialists focus election attack on Kohl

By Christopher Parkes in Frankfurt

Germany's Social Democratic party opposition leaders launched a direct assault yesterday on the central pillar of the ruling coalition's election campaign – Chancellor Helmut Kohl himself.

Mr Rudolf Scharping, the SPD leader, and Mr Helmut Schmidt, the party's elder statesman, denounced Mr Kohl as the chancellor of missed opportunities and a destroyer of jobs.

Mr Scharping characterised him as an insecure autocrat who listened neither to the electorate nor to his own party. As a result, there was nothing behind Mr Kohl but "a giant black hole", he told an SPD campaign gathering.

"You can see the insecurity in his eyes," he said. Mr Kohl's Christian Democratic Union was "burnt out" and he was trying in vain to conceal the fact.

In the four years since unification he had frittered away the opportunities for economic, social and cultural unity in Germany, Mr Scharping added.

Mr Schmidt, who was displaced as chancellor by Mr Kohl in 1982, blamed him directly for the "unconsidered actions" that had led to the loss of almost half the jobs in the former East Germany.

The SPD, which currently lags behind the CDU and its Bavarian sister party, the Christian Social Union, in the opinion polls, last week started its campaign to undermine Mr Kohl's personal standing with the announcement of a three-man electioneering vanguard.

The tactic of persuading voters to weigh the alleged failings of one man – Mr Kohl is still seen as an unsatisfactory chancellor by half the population – against the leadership strength of the SPD emerged clearly yesterday in Mr Scharping's unusually vigorous and confident presentation.

He brushed aside charges, central to the CDU's opening attack, that the SPD was prepared to govern in an unwritten alliance with the party of Social Democracy (PDS) and so allow the former East German communists a say in running the country.

However, comments at the weekend by Mr Jens Reich, one of Mr Scharping's advisers on eastern Germany, to the effect that he could imagine a minority coalition of SPD and Greens ruling with alternating support from the CDU and the PDS, seem to ensure further exploitation of the issue by Mr Kohl and his allies.

With promises of economic and social justice and warnings that the electorate should not be intimidated by the "German Berlusconis" among television and newspaper proprietors supporting Mr Kohl, Mr Scharping's speech concluded the rituals preceding the campaign proper leading to the election, on October 16.

All the main parties have now set up their stalls. As the so-called "hot phase" of the campaign gets under way, personal attacks and a sharp focus on almost exclusively internal issues seem certain to dominate the early stages.

Major demands guarantees of lasting ceasefire from IRA

By James Blitz in London

Mr John Major, the British prime minister, yesterday insisted he needed a "copper bottomed" guarantee from the IRA that its ceasefire was permanent before its political wing Sinn Féin could join talks on the future of Northern Ireland.

Mr Major emphasised the government's cautious approach to the ceasefire declared last week by announcing that Mr Gerry Adams, the Sinn Féin leader, would continue to be barred from visiting Britain.

The prime minister, speaking on BBC television, said the Sinn Féin leader would remain subject to a three-year exclusion order barring him from visiting the UK mainland, and that he did not expect this to be revoked "in the next few months".

Mr Major's caution was in sharp contrast to that of his Irish counterpart Mr Albert Reynolds, who is expected to meet Mr Adams this week to discuss Sinn Féin's participation in the Dublin-based Forum for Peace and Reconciliation, which would bring the Irish nationalist movement into talks with political parties in the Republic.

Mr Reynolds said last week that the Irish government accepted Sinn Féin's statement as a clear signal that "the war was over".

Mr Dick Spring, the Irish foreign minister, will today meet Sir Patrick Mayhew, the Northern Ireland secretary to try to resolve the differences between the governments' judgments of how to respond to the ceasefire.

An Irish foreign ministry spokesman said yesterday: "We understand the caution of the British government, but we hope that it is going to be cleared up shortly and that the meeting hopefully will contribute to that."

Sir Patrick said Irish nationalists had not yet made it clear that the violence had been permanently ended. He said: "It would be quite enough if we could hear them say, for example, 'this is over for good'."

Unionist politicians in Northern Ireland yesterday maintained their pressure on London to respond cautiously to the IRA's declaration.

Mr Chris McGimpsey, the honorary secretary of the Ulster Unionist Party said a cessation of IRA military operations was simply a logistical statement, whereas a permanent end to violence was a political statement.

Mr Peter Robinson, the deputy-leader of the Democratic Unionist Party said the terms of the IRA ceasefire provided "a get-out clause to renew the violence if they do not get concessions they are looking for from the British government".

At the weekend the DUP sent out invitations to other Unionist parties and organisations in the province to create a new forum as a counterweight to the one being set up by Mr Reynolds.

Brazilian finance minister quits over broadcast

By Angus Foster in São Paulo

Mr Rubens Ricupero, Brazil's finance minister, resigned yesterday after confessing in a private conversation mistakenly broadcast by satellite television that, when it comes to inflation indices: "I don't have any scruples. What is good, we use – what is bad, we hide."

His resignation comes at an awkward time for Brazil's two-month-old new currency, the Real, and for Mr Fernando Henrique Cardoso, the government's candidate in next month's presidential elections.

Mr Ricupero was talking privately to a journalist from TV Globo, Brazil's main broadcaster, in between taping interviews. However, about 10 minutes of the conversation was transmitted live and received by homes with satellite dishes throughout Brazil.

During the conversation, Mr Ricupero suggested that the success of the Real and his personal popularity were winning votes for Mr Cardoso and taking support from his main rival, Mr Luiz Inácio Lula da Silva of the Workers party (PT). "The greatest vote-getter today for [Mr Cardoso] is me," he said.

In a prepared statement yesterday, Mr Ricupero said he was the victim of "an electronic failure" and that he was exhausted at the time of the conversation.

"This is not how I normally behave," he said. "But the Real plan is more important and that is why I handed in my resignation."

Last week, the PT complained about government support for Mr Cardoso which, although not surprising in Brazil, is technically illegal. To comply with Brazilian law, Mr Cardoso resigned as finance minister in April to run for president. But he is still closely linked with the new currency.

Mr Ricupero said during the interview that television stations such as Globo were using favourable comments about the Real to support Mr Cardoso's campaign, instead of giving him more open support.

Among other revealing comments, he said he was preparing widespread tariff reductions on imports.

Mr Ricupero's resignation, although extremely embarrassing for the government, will probably not threaten the Real. While currency markets are expected to open nervously today, the team of economists who designed the new currency and other anti-inflation measures remains in place.

The incident has unsettled Mr Cardoso's election campaign. Although he led Mr da Silva by 45 per cent to 23 per cent in the latest opinion polls, Mr Cardoso wants to win the presidency in the first round on October 3.

THE LEX COLUMN

The Giordano dividend

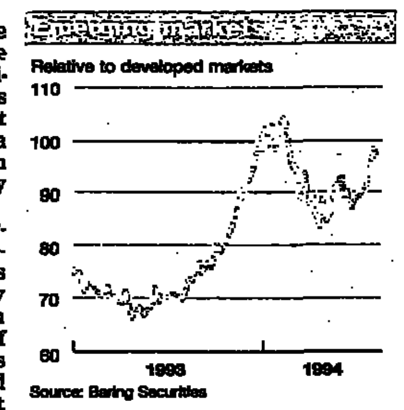
Mr Richard Giordano may not be popular with Sid if, as feared, he freezes or even cuts British Gas's dividend this week. But shareholders should take comfort from the fact that their new chairman is engineering a change in strategy which should, in time, more than compensate for any disappointment on dividends.

The biggest change is that Mr Giordano is determined to embrace competition and make it work to Gas's advantage rather than fight it at every turn. Gas's previous tactic was to run scare stories about how millions of consumers would see their gas bills double if competition was introduced for domestic customers. That won it few friends.

Mr Giordano appreciates that competition can be used to change the group's bureaucratic culture. The company has also come to the view that the real added value in its UK business is transporting gas, which will remain a monopoly, not trading it. Since its trading monopoly carries a host of social obligations, Gas believes it may be in its interest to demerge the business completely. It remains to be seen whether Gas can persuade the government to move ahead with its planned legislation. Gas's earlier scare tactics have given ministers cold feet about dismantling the monopoly. But Gas's more constructive approach is certainly in shareholders' interests.

Mr Giordano is also refocusing Gas's overseas strategy. In the past, Gas spent hundreds of millions of pounds on foreign acquisitions without a clear idea of where it could add value. Again, the new strategy has yet to be fully articulated, let alone produce tangible benefits. But the shares, which have underperformed the market by 15 per cent this year, look due for a turn.

Emerging markets



Source: Baring Securities

Emerging markets

Sceptics must be disappointed by the recent performance of emerging equity markets. After a strong rally in July and August, the IFC emerging markets index now stands 7 per cent above the level at the start of the year. As the chart shows, emerging markets have again been outpacing their counterparts in the developed world. For true believers this will not come as a surprise. The sharp correction of the first quarter was caused by the withdrawal of footloose international funds rather than setbacks in the emerging economies themselves. The attractive combination of high growth rates and economic liberalisation remains.

Besides, falling share prices and rapidly rising earnings quickly transformed the valuation of many markets. The Asian markets which suffered most during the correction – Thailand and Malaysia fell by 25 per cent in the first three months of the year – have started to attract investors in search of value. But there are signs that the rally of the last two months has been more discriminating than the liquidity-fuelled bull run of 1993.

While last year it was unusual for neighbouring emerging markets to move in opposite directions, this year performance has been wider spread. For example, Brazil has gained more than 70 per cent this year on hopes that the latest attempt to curb inflation will prove successful. Yet Argentina is still lower than at the start of the year. If long-term investors rather than high-rollers are now driving emerging markets, so much the better.

UK car market

After all the hype, the August car sales figures have been disappointing, and puzzling. Thanks to massaging by the trade the full month's numbers due out tomorrow may well be better than the flat out-turn earlier figures suggested. Even so, underlying sales appear to have gone off the boil. They could hardly have continued for ever at the pace set in the first half. But given the encouraging signs elsewhere in the economy, including a pick-up in new house sales in August, a sharp slowdown is hard to explain.

One possibility is that the problem lies not with demand but supply. Anecdotal evidence suggests supply shortages of certain models, in some cases caused by a lack of key components. There are long waiting lists for some German cars due to the unexpectedly strong recovery in the domestic market earlier in the year.

But supply shortages do not explain why dealers are complaining about the disappearance of the private buyer. This is especially odd since private new car buyers tend to sell-on after five years and 1989 was the peak of the last cycle. Perhaps car buyers are showing the same bargain-hunting mentality evident in other consumer markets and holding out for better deals at the end of the month. Or maybe they have finally tired of the August registration scramble. Whatever the explanation, the odds must favour poor August figures being a temporary blip rather than a change in the trend, in which case the sharp fall in car dealer share prices over the last few weeks could soon be reversed.

Metals

After a summer lull, base metals prices have continued their upward path. Aluminium has already broken through its early summer peak to reach its highest level for three years. Copper is not far behind, which is good news for RTZ ahead of its interim results on Thursday. Summer weakness in base metals is usual, since the holiday season takes the edge off industrial demand. The rally may simply reflect the end of the doldrums.

If it is to develop into another leg of the base metals bull market, though, the overhang of stocks will have to be reduced. While aluminium stocks have fallen modestly during the summer – thanks to production cuts agreed in January – copper stocks have risen over the past few weeks. The question is whether the seasonal increase in industrial demand during the autumn is enough to make inroads into stocks. Prices will fall back if there is no appreciable reduction in the overhang.

Doubts about metal prices may explain the relatively poor performance of mining shares during the first half of the year. RTZ has outperformed a falling equity market by 13 per cent this year, for example, while the copper price has risen by a third. Since the average copper price in the first half of this year was not much different from last, the company's interim figures will not show much benefit. But if falling copper stocks underpin another rise in the metals price this autumn, the shares will have room to rise.

Gaullists

Continued from Page 1

make his candidacy formal as soon as possible.

Mr Chirac is said not to want to do so before January, knowing that Mr Balladur will make no official move before then. On the other hand, Mr Chirac clearly wants to use the autumn to let Mr Balladur know there will be a fight with his party leader.

Tory alarm at EU reform

Continued from Page 1

debate over Europe's constitutional future that may prove as divisive at the wrangling over the Maastricht Treaty. The Italian and Spanish governments last week attacked the proposals, which many believe are the opening positions in the argument leading to the EU intergovernmental conference in 1996.

British officials made clear that the government is unhappy with some aspects of the proposals. The French and German reports call for a single core of five states. The UK has argued that there should be inner cores tailored to particular areas of policy in which the UK would, be in the core group on defence and single market legislation, but not on social chapter discussions.

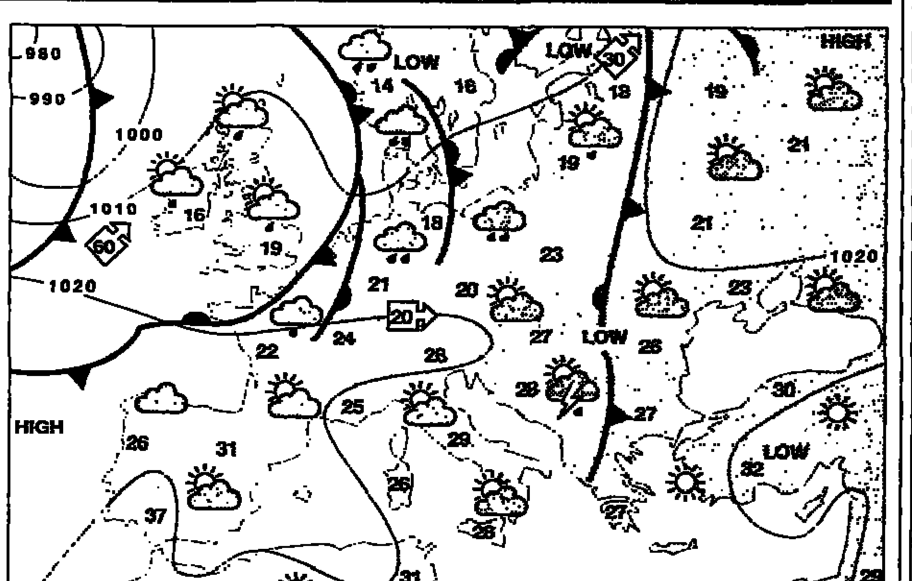
FT WEATHER GUIDE

Europe today

A deep low pressure system, just south-west of Iceland, will bring an unsettled westerly air flow to much of northern and western Europe. An active frontal zone will cause a lot of cloud and rain over the Low Countries, northern Germany, Denmark and southern parts of Sweden and Norway. Further south, the influence of a ridge of high pressure from the Atlantic towards southern France will bring settled conditions. Central Spain, Italy and southern Greece will be sunny and warm. Central Greece and the Balkans will have isolated thunder storms. North-west Russia will have plenty of sun under a large area of high pressure.

Five-day forecast

The Icelandic low will move very slowly towards the south-east to a position north-west of Scotland. The circulation around this low will push frontal systems into western Europe causing changeable conditions. It will become rather windy, especially around the British Isles. High pressure over southern Europe will provide mainly settled conditions. A disturbance over northern Africa will promote thunder storms over Morocco during the next couple of days.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	shower	30
Algiers	thund	32
Amsterdam	shower	17
Athens	sun	30
Atlanta	fair	30
B. Aires	sun	27
B.ham	fair	17
Bangkok	thund	33
Barcelona	shower	27
Beijing	sun	31
Belfast	fair	15
Belgrade	sun	27
Berlin	rain	19
Bermuda	shower	33
Bogota	cloudy	19
Bombay	drzzl	30
Brussels	shower	19
Budapest	sun	27
C.hagen	rain	18
Cairo	sun	34
Cape Town	fair	20
Caracas	thund	32
Cardiff	fair	16
Casablanca	fair	26
Chicago	shower	23
Cologne	fair	20
Dakar	sun	30
Dallas	thund	33
Delhi	cloudy	35
Dubai	sun	43
Dublin	shower	18
Dubrovnik	fair	27
Edinburgh	fair	16
Faro	fair	29
Frankfurt	shower	24
Geneva	fair	25
Gibraltar	sun	26
Glasgow	shower	18
Hamburg	rain	17
Helsinki	shower	15
Hong Kong	thund	31
Honolulu	shower	33
Istanbul	sun	26
Jakarta	fair	31
Jersey	fair	18
Karachi	drzzl	31
Kuwait	sun	44
L. Angeles	fair	28
Las Palmas	sun	27
Lima	cloudy	20
Lisbon	fair	32
London	fair	19
Lux.bourg	shower	20
Lyon	fair	25
Madeira	fair	27
Madrid	sun	33
Majorca	shower	29
Malta	fair	29
Manchester	fair	15
Manila	thund	31
Melbourne	drzzl	16
Mexico City	thund	17
Miami	fair	33
Milan	fair	27
Montreal	fair	19
Moscow	cloudy	19
Munich	fair	22
Nairobi	fair	23
Naples	fair	29
Nassau	thund	33
New York	cloudy	19
Nice	fair	25
Nicosia	sun	37
Oslo	shower	14
Paris	fair	22
Perth	fair	22
Prague	cloudy	20
Rangoon	rain	30
Reykjavik	rain	11
Rio	thund	24
Rome	fair	29
S. Frsco	fair	22
Seoul	fair	29
Singapore	drzzl	31
Stockholm	shower	18
Strasbourg	fair	25
Sydney	fair	22
Tangier	cloudy	32
Tel Aviv	sun	32
Tokyo	fair	30
Toronto	fair	18
Vancouver	cloudy	20
Venice	fair	25
Vienna	fair	25
Warsaw	shower	23
Washington	sun	24
Wellington	fair	10
Winnipeg	sun	21
Zurich	fair	23

FINANCIAL TIMES

COMPANIES & MARKETS

Monday September 5 1994

MARKETS THIS WEEK

JOHN PLENDER:
GLOBAL INVESTOR
As analysts speculate over the outcome of Wednesday's chat between the UK chancellor and the Governor of the Bank of England it is worth casting an eye over the recent behaviour of sterling futures. In effect the market has been anticipating an increase in short term rates of more than a full percentage point by December. **Page 20**

STEPHANIE FLANDERS:
ECONOMICS NOTEBOOK
UK employment trends over the past 20 years have favoured women; but an article published today argues that economists' research has gone the other way. The author claims that in describing the decline of full-time work for men, and the accompanying growth of the female, labour force, researchers may be encouraging a backlash against women. **Page 20**

BONDS:
The impact of higher European economic growth on inflation and interest rates will be crucial to the performance of European government bond markets this autumn. **Page 22**

EQUITIES:
In Wall Street, data revealing much weaker jobs growth than expected, should bring a more positive tone to the market when investors return to work tomorrow, while the UK stock market has turned highly volatile as the summer holidays draw to a close. **Page 23**

EMERGING MARKETS:
"If making money is a sin . . . welcome to hell," reads a sign in Bombay proclaiming the virtues of stock market investment. **Page 21**

CURRENCIES:
The trade dispute between the US and Japan has been a key factor in the dollar's weakness this year but high-level trade talks this week between US and Japanese officials could provide it with fresh direction. **Page 21**

COMMODITIES:
Cocoa producers and consumers will on Thursday try again to agree rules covering a production management deal that was implemented in February. **Page 20**

INTERNATIONAL COMPANIES:
First Financial Management, an Atlanta-based information services company, has offered $800m in cash to acquire Western Union Financial Services, the big US money-transfer business. **Page 19**

UK COMPANIES:
Celsis International, the UK biotechnology company, has ended six months of management uncertainty by appointing a new chief executive. **Page 18**

STATISTICS

Patrick Harverson finds potential buyers eyeing once-lumbering US TV networks

Clambering for rides on the dinosaurs

A few years ago the three national US broadcast television networks – ABC, CBS and NBC – seemed like lumbering dinosaurs facing a slow decline.

Under pressure from nimbler, more innovative competitors such as cable TV companies, independent programme-makers and newcomers such as Fox Television, the networks' share of the national television audience was falling – from 98 per cent in the 1970s to about 60 per cent by the start of the 1990s – and their advertising revenues and profits were sliding.

Yet today the dinosaurs have roared back to life and powerful entertainment companies such as Walt Disney, Turner Broadcasting, Time Warner, Paramount and Tele-Communications (TCI), the country's largest cable television operator, now appear eager to own a network.

Time Warner and Paramount are even planning to launch their own networks next year. Time Warner is also said to have been negotiating to buy NBC from General Electric; Disney is rumoured to be interested in CBS; while the chairmen of Turner and TCI have stated they would like to own one of the big three networks. Only ABC, deemed too large to swallow whole, is immune from bid speculation.

The sudden burst of interest in the networks is driven by several factors. For a start, the economics of the business are improving. The long decline in networks' share of national ratings has been halted, advertising sales are forecast to grow and profits are recovering. There is also a growing realisation that as the number of available television channels increases, so does the value of the network.

Mr Scott Siegler, former head of Columbia Pictures Television and an ex-network executive, says: "I think that the advertising community has become aware of the fact that the more fragmented the market becomes, the more important the big three networks become. They are the only people who, on any given night, can guarantee you 60 per cent of millions of households."

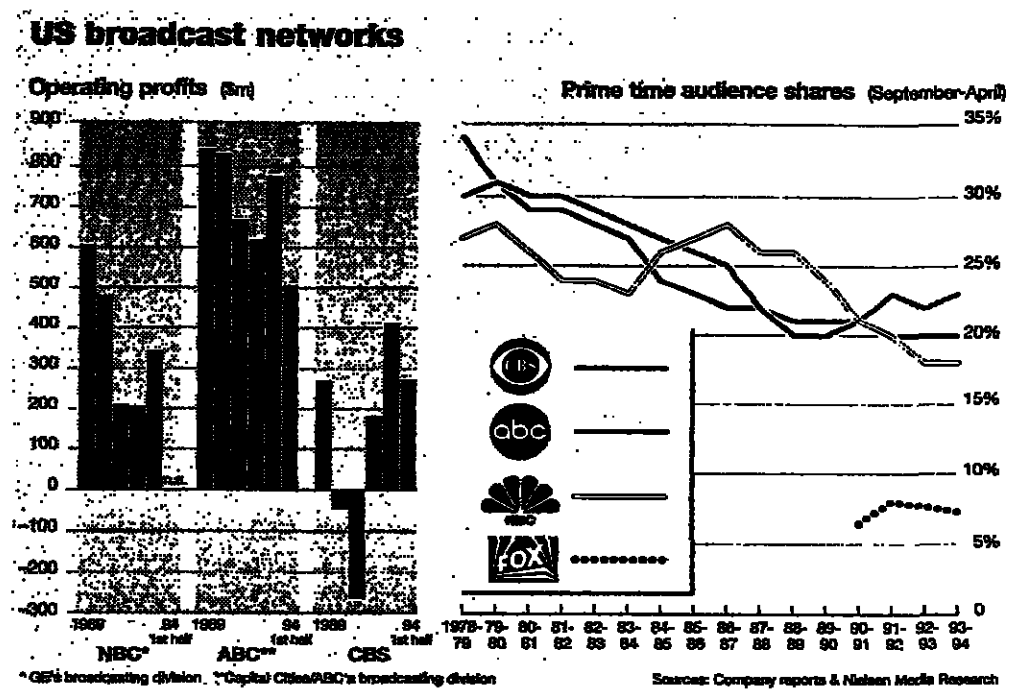
Yet there is another reason why networks have become attractive to potential buyers: a changing regulatory environment.

Since 1971, financial interest-syndication regulations, or "fin-syn", have barred networks from producing much of their own programming and from participating in the lucrative syndication business – selling re-runs of shows to local stations.

The fin-syn rules, however, are due to be eliminated in November 1995, after which networks will be allowed to produce their own shows and reap the profits of syndication. "With those restrictions lifted, suddenly a network becomes a far more profitable business than it was a few years ago," says Mr Michael Theodore, media specialist at management consultants Arthur D Little.

Programme makers such as Time Warner and Disney want a network because it would help them realise profitable synergies not previously allowed under fin-syn and protect revenues from their existing programming businesses.

If the big programme makers do not move into networks soon, they could find themselves when fin-syn expires owning a product for which they cannot find a national outlet.



* GE's broadcasting division ** Capital Cities/ABC's broadcasting division
Sources: Company reports & Nielsen Media Research

Programme suppliers could try to build a network from scratch. This is what Time Warner is attempting, primarily by persuading independent local television stations to sign up as affiliates for its new WB network, due to start early next year.

Time Warner's reported interest in NBC may be motivated by the uncertain future that cable television faces. Earlier this year the government imposed price controls on cable operators and the industry fears further regulation. A bid for NBC would be a good defensive move for Time Warner, whose cable operations include the successful Home Box Office channel.

Mr John Reidy, media analyst with securities house Smith Barney Shearson, says Time Warner's interest in NBC "shows you that Time Warner is very nervous about what's going to happen to its TV production business. It also raises the question of whether they have some doubts about the rapidity of the growth of the cable business."

There are many analysts who doubt whether Time Warner will be able to buy NBC outright, at least not just yet. Until limits on cross-ownership of cable and television stations are eased, Time Warner's options are limited.

Mr Richard Grand-Jean, head of the entertainment industry investment banking boutique Global Film Equity, adds: "They [Time Warner] already have a ton of debt. The world is not really ready to see them take on another $4bn to $5bn of it."

Even Disney may not be in the best shape to do a deal with CBS after the accidental death in April of its president, Mr Frank Wells, and the imminent departure of its studio chief, Mr Jeffrey Katzenberg. Analysts estimate Disney would need to offer at least $5bn for CBS.

Ultimately, Wall Street believes that CBS or NBC (and possibly both) will change hands within the next year, mainly because they have the wrong owners who, moreover, appear to want to get out of the business.

As Mr Theodore puts it: "People always felt that GE and NBC was a poor match. As for CBS, Larry Tisch is not a broadcaster, and he does not have much of an idea about the direction the industry is heading. At this point, I think he wants to take the money and run."

Bermuda link for new fund at Lloyd's

By Richard Lapper in London

Indemnity Insurance Services, a London-based insurance broker, is combining forces with one of Bermuda's largest reinsurance companies in an effort to form a new Lloyd's investment company. Indemnity wants to raise some £20m ($31m) through a stock market flotation of the new vehicle – Euclidean Investment Company – later this year.

Centre Re, now owned by Switzerland's Zurich Insurance, will underwrite an innovative long-term reinsurance contract for the company, which should allow Euclidean to accept up to £80m in premium income, twice as much as it would otherwise be able to underwrite, increasing potential profitability.

Corporate Names can accept annual premiums equal to twice the amount of their funds held at Lloyd's, according to rules introduced last year by the market.

Euclidean will spend several million pounds annually on a multi-year reinsurance policy from Centre Re. The Bermuda company will make available a letter of credit for some £28m, which it is thought Lloyd's regulators will regard as an acceptable asset for solvency purposes.

In this way Euclidean will increase its deposits with Lloyd's to some £40m. The reinsurance policy will also cushion investors against large losses.

Indemnity specialises in stop-loss insurance – a kind of personal reinsurance for Lloyd's Names, the individuals whose assets have traditionally backed the market. This activity has allowed it to obtain unusually comprehensive information about the market. By backing no more than 86 of the most profitable syndicates and by closely monitoring future activity it hopes to be able to obtain above-average underwriting results.

Mr James Stuart, Indemnity's joint managing director, says he expects the increased gearing will allow Euclidean to make a return on capital of some 25 per cent. Net dividends are to be limited to 20 per cent of capital.

Lloyd's raised some £800m in corporate capital last year and expects to raise between £125m and £250m in extra funds for 1995. Most is expected to come from private sources. Venton, another Lloyd's agency, has linked up with Butterfield Securities of Bermuda to raise money for a corporate capital vehicle.

Savoy Group censures director over leak

By Christopher Price in London

The controversy over the control of Savoy Group took another twist yesterday when the UK luxury hotel company publicly censured one of its directors over a leak of confidential information.

Savoy was angered by weekend press reports citing a study by Mr Giles Shepard, its managing director, which had been circulated to certain directors, restating the company's need to fight off the attentions of Forte, its rival and largest shareholder, and to remain independent.

A Savoy statement yesterday said: "The board of the Savoy Group is dismayed that one non-executive director, for his own reasons, has decided to discuss confidential papers with the press. This is unsettling for employees and does nobody any good." A company source said the story had been leaked by Sir Michael Richardson, who announced on Friday his plan to retire as chairman of Smith New Court, the securities house. "There will be pressure on him to resign [from Savoy] after this," said the source.

Sir Michael yesterday admitted the story emerged from his office, but denied it was a deliberate leak. "I did not show the report to anyone, it did not happen like that at all." He said the report had been spotted on his desk by a journalist who was interviewing him about his retirement. When questioned, he had given a brief outline of its contents. "That is not a leak," he said. He described the question of his resignation as "ridiculous".

Mr Shepard said yesterday: "Nothing has been discussed by the other directors in relation to anyone resigning."

The policy document at the centre of the row, written by Mr Shepard, was circulated to Sir Michael and three other non-executive directors. It outlined Savoy's trading and corporate strategy after the company's interim results due on September 13. It also restated the company's intention to remain independent and questioned Forte's performance and strategy.

Sir Michael and Mr Shepard admitted the row reflected tensions on the board over Savoy's future. Forte, which has fought a 13-year battle for control, holds 42 per cent of voting shares. It has discussed with other shareholders the creation of a joint venture which would pool the two groups' luxury hotels. Savoy also owns Claridge's and the Connaught in London.

Forte agreed in November 1989 not to increase its stake in Savoy for five years and to give 12 months' notice if it wanted to do so. The latter requirement remains even after the five-year standstill ends.

This week: Company news

JAPAN TELECOM

Investors worry over high price of issue

Japan's third largest telecommunications operator will be listed tomorrow on the second sections of the Tokyo and Osaka stock exchanges.

The issue's high public offering price of Y4.7m ($47,000) per share is causing some anxiety among investors. Along with the other telecom operators, the company's earnings have been squeezed by rising price competition.

Aggressive price-cutting in long distance rates has hurt JT's earnings as well as its competitors, DDI, listed last year, and Nippon Telegraph and Telephone, the former monopoly.

Although sales were up last business year, pre-tax profits fell 18 per cent from a year earlier to Y16.2bn. Earnings before taxes for the current year are projected at Y16bn.

DDI's listing last September attracted a large number of investors, boosting the stock price, but some analysts fear that may not be the case for JT.

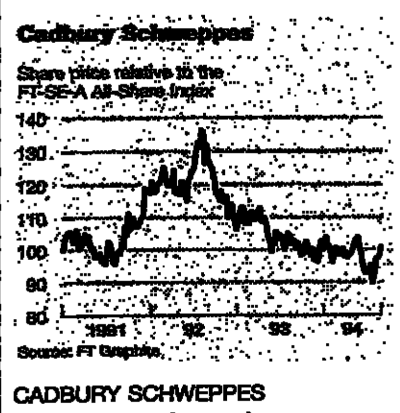
Unlike DDI, the company lacks money-making subsidiaries, and Tokyo Digital Phone, its affiliated cellular phone company, only began operations earlier this year.

Stronger competition in these core businesses is likely to squeeze further JT's profit margins.

Japan Telecom was originally the telecommunications arm of Japan Railways, and JR still has a big shareholding.

■ The troubled Swiss telecoms equipment maker Ascom appears to be making a rapid recovery towards profitability after two years of hefty losses. A new management team will set out the group's prospects on Thursday.

Earlier this year, Ascom reported a loss of SFr336.7m ($233.8m) for 1993 and admitted it had made a significant strategic mistake in trying to become internationally competitive in too many product areas.



Source: FT Graphite

CADBURY SCHWEPPES

Soft drink sales set to give sweet results

Cadbury Schweppes is expected to report on Thursday some of the best interim results among UK food manufacturers with pre-tax profits up by about £40m to £200m ($310m). Soft drinks will show the biggest improvement at home and abroad while confectionery will be patchier. The results will also lay to rest fears that the aggressive own-label cola strategy by J. Sainsbury, Britain's largest supermarket chain, has hurt Coca-Cola & Schweppes Beverages, Cadbury's 51 per cent owned joint venture.

After Sainsbury launched its Classic Cola line earlier this year in packaging resembling Coca-Cola's, Coke fought back with heavy promotions. In Sainsbury stores, Coke is now outselling Classic Cola in cans but not large bottles. But the cans carry a higher profit margin and Sainsbury accounts for less than 5 per cent of CCSB's sales. Overall, CCSB's operating profits should be up by about £5m to more than £50m.

In the UK, chocolate volumes are virtually static and Cadbury is trying to recoup rising cocoa costs. Sugar sweets, via the group's Trebor Bassett brand, look more promising.

Shareholders can expect a dividend increase of at least 0.3p to 3.9p but the group may act on a hint at its AGM about weighting the dividend more in line with sales during the year. This would require a rise to more than 5p.

OTHER COMPANIES

Flat profits expected at Carnaud Metalbox

■ **Carnaud Metalbox:** The Franco-British packaging group is due on Thursday to report first-half profits which are expected to be substantially unchanged from the FFr509m ($95m) net profit it recorded in the first six months of 1993.

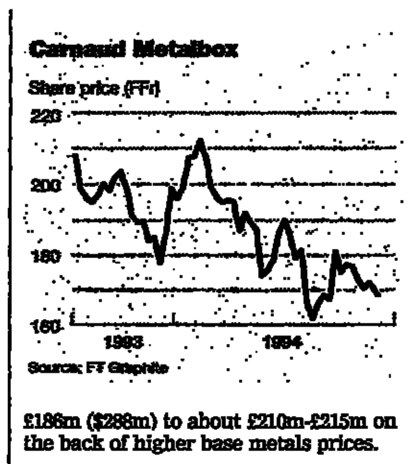
CMB has already announced that turnover rose 3.6 per cent in the first half to FFr12.3bn. Last month it admitted that it remained under continued pressure on prices from its customers and from significant increases in some raw material costs.

■ **Total:** The French oil group is due to report on Wednesday first-half profits that it has said will be broadly in line with those in the first half of 1993, when it made an operating profit of FFr3.49bn and net group profit of FFr1.86bn. Total has seen its crude prices and refining margins come under the same downward pressure as other oil companies.

These were among the factors that led Elf-Aquitaine, the other French oil major, to report a 10 per cent drop in first-half net profit last week.

But Total is significantly better placed financially than Elf. With debt amounting to 23 per cent of equity at the end of last year, it has far fewer financial charges to carry.

■ **RTZ:** The minerals group is expected to report on Wednesday a steep rise in profits for the first half of 1994 from £186m ($288m) to about £210m-£215m on the back of higher base metals prices.



Source: FT Graphite

■ **BTR:** The industrial conglomerate will provide an important indicator of the capital goods sector when it reports interim results on Thursday. Analysts expect a double-digit increase in pre-tax profits to about £660m- £670m ($1.04bn), excluding gains on disposals, and a 10 per cent rise in the dividend.

■ **Glaxo Holdings:** Europe's largest pharmaceuticals group is expected to report interim profits up from £1.67bn to between £1.88bn and £1.9bn ($2.9bn) on Thursday following increased volume sales of Zantac, its best-selling anti-ulcer drug.

■ **British Gas:** Second-quarter results usually show a loss because of a seasonal downturn in demand, and analysts are expecting a net loss of £15m- £47m ($73m) in the half-year results on Thursday.

Companies in this issue

Celsis names chief executive

By Tim Burt

Celsis International, the biotechnology company, has ended six months of management uncertainty by appointing a new chief executive to replace Mr Tony Martin, who was dismissed in April on the grounds that he was "ineffectual".

The Cambridge-based company, which specialises in contamination detection equipment, has recruited Mr Arthur Holden from Baxter International, the US medical supplies group, where he was global marketing vice-president in the renal division.

Mr Holden signed a two-year rolling contract on Friday, some four months after he was first approached by Celsis.

The company, however, declined to disclose the value of his package or whether his annual salary would exceed the £85,000 paid to Mr Martin.

It has yet to reach a settlement with its former chief executive, who still holds shares worth more than £1.53m after leaving with almost two and a half years of his three-year contract to run.

Mr Mark Clements, finance director, said Mr Holden would help to build shareholder value in the company, which earlier this year announced increased pre-tax losses of £1.58m (£460,000) following a sharp rise in research and development spending from £156,000 to £934,000 in the year to March 31.

That spending – using funds from last year's £12.4m flotation and income from collaborative ventures with companies such as Wellcome and Merck – has been used to develop a range of hygiene monitoring products.

Mr Holden, who joins the company on October 10, said he was determined to exploit commercial applications of Celsis' technology.

"I will be conducting a review of the overall strategy and will see if this side of the business can be developed more rapidly," he added.

Trevor Humphries
Arthur Holden: plans to develop commercial applications side

In the latest commercial agreement, Celsis said it had signed a deal with Colgate-Palmolive to use its bioluminescence kits to monitor personal care products such as shampoos and body lotions.

The company declined to reveal how much the deal was worth, but predicted that similar manufacturers would follow Colgate's lead.

S Western Electricity buys back 2.5m shares

By Robert Corzine

South Western Electricity has become the third of the cash-rich regional electricity companies to buy back some of its shares.

The Bristol-based company on Friday purchased 2.5m of its ordinary shares in the market at 820.5p per share, representing 2 per cent of the issued ordinary shares.

Mr John Sellers, finance director, said the company had taken advantage of a downturn in its share price on Thursday to enter the market.

In common with most other regional companies, South Western has powers to buy back up to 10 per cent of its equity.

Mr Sellers said the company wants to assess the market's reaction to Friday's purchase before deciding whether to buy back more shares.

Analysts expect other electricity companies will soon join South Western, Seeboard and Eastern in buying back shares.

Each either has the cash in hand or low borrowings. Buying back shares boosts earnings per share and enhances the potential to raise dividend payments, even if the current upsurge in the sector's share prices continues.

Brokers Hoare Govett estimate that share prices in the sector have risen between 40 and 45 per cent on average in the two months to the end of August.

Fantasy war games maker for market with £40m tag

By Christopher Price

Renegade goblins, space orks and blood angels will be fighting for investors' attention next month when Games Workshop, a fantasy war games manufacturer, comes to the market in a flotation expected to value it at over £40m.

"We are not a toy maker, or satisfying some fad," says chief executive Mr Tom Kirby. "This is a business which has been serving a hobby enjoyed by thousands of young people for 16 years. I think our record speaks for itself."

The Nottingham-based group was the subject of a £10m management buy-out three years ago, and in that time has doubled turnover to £24.5m. Operating profits have increased nearly threefold in the same period to £4.6m.

Games Workshop designs, manufactures and markets all its own products. The customers are predominantly male and between the ages of 10 and 17.

The company invents futuristic war games complete with figures and rules, which it then controls and supplements with developments. Customers are encouraged to keep up with the latest changes through the company's own magazine, "White Dwarf", which sells some 60,000 copies a month.

About 10 per cent of the UK business is done through mail order, the rest through the company's network of 75 outlets. Like the magazine, the shops sell only Games Workshop material and staff advise on the hobby. Games Workshop also has branches in France, Germany, Australia, Spain and the US. Last year, 45 per cent of sales came from abroad.

Mr Kirby is dismissive of changing tastes affecting the company's future. "We have created several generations of customers already and are adding new ones all the time. War games have been played for centuries, nothing's going to change that."

The flotation will seek to raise some £20m through a placing of half the shares, with management share sales accounting for about 10 per cent of this. The remaining 50 per cent of the shares will be subject to a free float. Credit Lyonnais Laing is acting as stockbroker, and Samual Montagu as financial adviser.

Govett expands US operations

By Christopher Price

Govett & Company, the fund management and insurance group, has announced a significant expansion of its US operations.

It has signed a distribution agreement with American Capital Marketing, a US mutual fund group, which it estimates will more than treble its US sales to $1bn (£600m).

Mr Ian Whitehead, chief financial officer, added that the move would save Govett some $3m a year in costs. "These are obviously welcome, but the most exciting aspect of the deal is the growth potential for our US mutual funds," he said. Govett currently manages seven such funds.

Govett will continue to act as investment manager of the funds, while American Capital will take control of distribution, which Govett says will substantially increase the number of wholesalers selling the products.

The US mutual fund market has $2,100bn of assets under management. International funds, which have been one of the fastest growing segments, represent 8.5 per cent of the assets. American Capital currently manages more than $16bn-worth of assets through 44 mutual funds.

Hambros to launch Asian trust

By Bethan Hutton

Hambros Bank is to launch an investment trust specialising in Asian companies with a market capitalisation of less than $500m (£322.5m).

The Hambros Smaller Asian Companies Trust is based on the manager's belief that smaller Asian companies are under-researched, and should benefit disproportionately from fast economic growth in the region.

It will be managed by Hong Kong-based Hambro Pacific Fund Management, which already runs the Hambros EQUUS South East Asia fund, covering a similar geographic area, and ranked 13th of 32 offshore funds in the same sector over three years.

The new trust's initial portfolio will be concentrated in the markets of Hong Kong, Malaysia, Singapore and Thailand, but the managers will also be free to invest throughout the rest of Asia, from South Korea to India.

The fund will be dollar denominated, but London-listed, and will have an initial life of about seven years. Shares will be issued at $1, and warrants will be attached on a one-for-five basis. Capital will be raised by means of an institutional placing by NatWest Securities, with a minimum subscription of $30,000.

A similar trust, Edinburgh New Tiger, was launched in March this year to invest in Asian smaller companies, but its shares are still trading at below the issue price after the corrections in world stock markets earlier this year.

Zeneca drug strengthens place in cancer market

By Daniel Green

Zeneca has submitted for approval a new drug that is likely to affect profits growth within two or three years.

Casodex is a treatment for prostate cancer that is estimated by Lehman Brothers, the stockbrokers, to have potential sales of between $250m and $500m (£323m) a year. That would make it Zeneca's third-biggest seller.

The drug is an oral anti-androgen. About 300,000 new prostate cancer cases are reported each year worldwide, making it the second most common cancer in men.

Approval for the drug is being sought first in the UK. Submissions to regulatory authorities in the rest of the European Union and in the US will follow by the end of the year, and it is likely to reach the market in 1995.

Other companies making or developing anti-androgens include Schering Plough and Johnson & Johnson of the US.

Casodex's approval would place Zeneca more firmly in the cancer market. It already has Nolvadex and Zoladex in the area, but both are outsold by heart treatments Zestril and Tenormin.

Manders in NZ$35.5m acquisition

Manders, the coatings and ink manufacturer, is expanding in New Zealand through a NZ$35.5m (£14m) deal.

It is buying Morrison-PIM Holdings, which makes printing inks, for NZ$27.5m and the assumption of NZ$8m of borrowings.

In the year to June 30 1994 Morrison made an operating profit of NZ$3.9m (NZ$3.2m) on unchanged turnover of NZ$45.8m.

Manders said that the purchase would complement its existing New Zealand business, which was acquired from Croda in January this year.

TR City of London net assets advance

TR City of London Trust reported net assets up from 133.64p to 135.33p over the year to the end of June.

Net revenue for the year improved from £9.02m to £10.7m for earnings per share of 5.25p (4.59p).

A fourth interim dividend of 1.31p has already been paid for a total of 5p (4.8p). For the current year the board is forecasting a total dividend of 5.24p.

The result was helped by a decision to charge half management expenses to reserves. If the same allocation had applied in the previous year revenue would have been £9.3m for earnings per share of 4.81p.

C&G first-half profits likely to exceed £100m

By Alison Smith

Cheltenham & Gloucester Building Society, the UK's sixth-largest, is on Thursday likely to announce pre-tax profits exceeding £100m for the first half of this year, after a sharp drop in provisions for bad and doubtful debts.

It recorded pre-tax profits of £75.3m for the first six months of last year. An increase of more than one third would be broadly in line with some other large mortgage lenders, and a significant difference could re-open the debate about the £1.8bn cash bid for the society by Lloyds Bank.

One of the questions raised by some members of the C&G Alternatives Group is whether C&G could have attracted – or could still attract – a higher bid. At the time of the announcement in April, one analyst suggested that a third party could afford to offer up to £2.5bn.

Originally the deal was due to be concluded in the second quarter of next year. In June, however, the scheme suffered a setback in the High Court which said that the society's plans for distributing the £1.8bn among its members and others was unlawful.

Revised proposals, issued in mid-August, envisaged that completion of the deal would be delayed by about three months.

Irish Permanent pays £6.7m for banking arm

By Alison Smith

Irish Permanent Building Society is buying Guinness & Mahon, the Dublin-based private banking arm of Guinness Mahon, for £6.7m.

The purchase by IPBS, Ireland's largest building society with assets of I£2.7bn, follows its acquisition of Prudential Life of Ireland, and comes in the run-up to the publication of the prospectus it will issue as part of its flotation.

IPBS is the first Irish society to convert to plc status, and is to be floated on the London and Dublin Stock Exchanges.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
SmithKline Beecham (UK/US)	Sterling Winthrop (US)	Pharmaceuticals	£1.88bn	Largest OTC acquisition
Swiss Bank Corp (Switzerland)	Brinson Partners (US)	Financial services	£487m	SBC continues global growth
Stanhome (US)	Lilliput (UK)	Consumer products	£37.2m	Recommended cash offer
Jefferson Smurfit (Ireland)	Nettingsdorfer (Austria)	Paper	£20.2m	Strengthening corrugated side
Bowater (UK)	Van Gelder (Netherlands)	Specialist paper	£15.4m	Release liner expansion
General Electric (US)	Lindner Licht (Germany)	Lighting	n/a	Strategic buy
British Steel (UK)/ SSAB (Sweden)	Norsk Stal (Norway)	Steel	n/a	Taking full control
Volvo (Sweden)	Drögmöller (Germany)	Commercial vehicles	n/a	Continues bus consolidation
Fyffes (Ireland)	Sofiprim (France)	Food	n/a	Another continental stake
Service Corp International (US)	Plantsbrook (UK)	Funeral services	£193m	Second major UK buy

COMPANIES AND FINANCE

Atlanta group tops Western Union bids

By Patrick Harverson in New York

First Financial Management, an Atlanta-based information services company, has offered $800m in cash to acquire Western Union Financial Services, the big US money-transfer business.

First Financial has also offered to assume about $265m of Western Union unfinanced pension liabilities. This lifts the total value of the bid to above $1bn.

The offer tops two previous bids for Western Union: $970m offered last week by Forstman Little, the New York buy-out firm, and $660m offered by First Data Corporation. First Data, however, has also agreed to assume the $265m in pension liabilities.

Western Union is currently owned by New Valley, a New Jersey-based financial services company which has been operating under bankruptcy court protection for the past year and a half. New Valley hopes eventually to sell the unit for enough to pay off its creditors.

The deadline for the auction ends on September 16, but analysts believe that it is unlikely First Financial's bid will be topped.

Founded in 1851, Western Union controls 90 per cent of the US domestic money transfer market. Last year it completed 40m transfers of funds worth more than $7.8bn. Revenues this year are expected to top $550m.

Western Union last changed hands in 1987 in a junk bond-financed leveraged buy-out. However, the company, subsequently renamed New Valley, struggled to meet the high interest on its debt, and eventually filed for bankruptcy in March 1993.

Danish group to issue 3m shares in New York

By Hilary Barnes in Copenhagen

ISS International Service Systems, the Danish industrial cleaning group, is to issue 3m B shares on the New York Stock Exchange this autumn.

Plans to seek a New York listing were initially announced last year, when ISS paid $93.5m for National Cleaning Group of the US to become the largest cleaning business in North America with sales of about $950m.

The share issue was postponed this spring when the ISS share price, which peaked at DKr276 early in the year, began to weaken. The shares took a further beating in August following the group half-year results, falling some 20 per cent to DKr177.

But Mr Poul Andreassen, chief executive, said the group's investment bankers had advised it to go ahead with the issue, which will raise about DKr530m ($86m) at the current market price.

"The issue will strengthen our equity capital and enable us to go ahead with our strategy of expanding our core cleaning business, including by new acquisitions," he said.

Mr Poul Andreassen: Ready to expand core business

Group equity capital at the end of June was about DKr1.47bn and assets about DKr6.15bn, an equity ratio of 23.9 per cent.

ISS is the world leader in industrial cleaning with a labour force in excess of 120,000. For the first half of 1994 sales rose 22 per cent to DKr7.24bn and pre-tax profits climbed 33 per cent to DKr193m.

Mexican airlines' chairman resigns

By Ted Bardacke in Mexico City

The chairman of Mexico's two largest airlines, Mexicana and Aeromexico, has stepped down under pressure from creditor banks seeking a $200m injection of new capital from shareholders.

The resignation of Mr Gerardo de Prevoisin, who in February 1993 brought the two former competitors together, threatens to unravel the alliance that controls more than 70 per cent of Mexico's domestic airline market.

Both airlines are in financial trouble. Aeromexico lost $136m in the first half of 1994, while Mexicana followed 1993 losses of $100m with a first-half 1994 loss of $115m. Together they have total debts of more than $1bn.

Creditor banks gave Mr de Prevoisin until September 1 to find $150m of fresh capital for Mexicana and about $50m for Aeromexico. Advisers to Mr de Prevoisin say his first priority has been to find new money for Aeromexico, which has been the stronger of the two companies, both of which were privatised by the Mexican government in the 1980s.

Mr de Prevoisin's plan of rationalising routes and uniting workforces among the two carriers has yet to prove its worth. Only baggage handling and other ground services have been successfully combined.

Management has faced competition from a plethora of new, small airlines which have taken advantage of the Mexican government's open skies policy and flooded the most popular routes with cut-price flights.

Average revenue for the airlines is between 15 and 20 cents per km travelled. The company believes it needs to increase that figure to about 30 cent per km in order to break even.

Mr Jose Luis Llamosas was named new chairman of Aeromexico, while Claudio Terrein will take over the post at Mexicana. Both were already board members of both airlines.

Sime Darby lifts profits by 7.5%

By Kieran Cooke in Kuala Lumpur

Sime Darby, the Malaysian conglomerate that boasts of being southeast Asia's biggest multinational, has reported a 7.5 per cent improvement to M$904m (US$354m) in pre-tax profits for the year to June.

The result was below most analysts' expectations but was viewed as satisfactory for one of the region's most conservatively run and cash-rich companies.

A final dividend of 17.5 Malaysian cents was recommended, compared with 16.5 Malaysian cents in the previous year. Group turnover rose to M$8.21bn from M$7.04bn.

Sime Darby, once largely plantation-based, has diversified into a wide range of activities including the oil and gas industry, property, motor and heavy equipment franchises and the manufacture of various rubber products.

The main money-earning base was once again Hong Kong. Pre-tax profits in Sime's division in Hong Kong, where it acts as the main automotive and heavy equipment distributor, were M$227m compared with M$195m last year.

Analysts say Sime benefited from buoyant demand in its motor distribution in Hong Kong, particularly for European-sourced cars, but its overall performance in the territory was not as impressive as in previous years.

Sime's operations in Malaysia, the Philippines and Australia reported lower profits while Singapore registered improved results. Profit from the plantations division fell by nearly M$20m due to lower average prices for palm oil products. Depressed rubber prices also hurt profit margins.

However, with palm oil prices now recording 10-year highs and rubber prices strengthening, it is likely that plantations will have a far better year.

Sime should also benefit from its involvement in various infrastructure projects, including its share in an independent power producer scheme in Malaysia.

"The board believes the group will have another year of record profitability in 1994-1995," it said.

Morgan Stanley bullish on Ireland

By Antonia Sharpe

Morgan Stanley, the US investment bank, has stolen a march on its competitors with the publication of a bullish report on the Irish economy and stock market only days after the IRA announced its ceasefire.

With the exception of Luxembourg, the Irish economy is the smallest in the European Union and is only equivalent to one-thirtieth of the size of the west German economy and one-twentieth of the size of the UK's.

Nevertheless, its dynamism has prompted Morgan Stanley to nickname it the "Celtic Tiger", a variation of the label given to the fast-growing economies in south-east Asia.

It notes that Ireland has the most rapidly-growing economy in the European Union, with Gross Domestic Product growth averaging 5 per cent over the five years to 1993.

This growth rate may be exceeded in both 1994 and 1995, the broker forecasts. At the same time, inflation risks are muted by strong productivity trends, a large balance of payments surplus and a firm exchange rate.

Mr Richard Davidson, Morgan Stanley's European equity strategist, said that the IRA's ceasefire further improved the country's prospects because of the likely easing of border restrictions and the freer movement of goods. "There will be more investment in either part of Ireland which have positive benefits for both economies," he said.

Ireland's entry into the widely-used MSCI Europe index has prompted institutional investors to include Irish stocks in their portfolios. The country has a benchmark weighting of 0.6 per cent in the index but Morgan Stanley recommends a portfolio allocation of 1.3 per cent.

"We expect that the market can rise by 15 per cent over the next 12 months," said Mr Davidson. He noted that while international investor interest has increased over the last decade, the market remains undervalued, particularly the banking sector.

However, like the economy, the Irish stock market is also one of the smallest in Europe with a total market capitalisation of $17bn. Average daily volume in Dublin in July was I£26m ($17m), of which the top 10 stocks made up 83 per cent.

The low level of liquidity outside the top 10 stocks poses considerable problems for institutions wanting to deal in large amounts. "Investors still view the market as illiquid and dominated by locals but there is good profit growth and valuations are cheap," said Mr Davidson.

The Irish government's intention to sell off its remaining 15 per cent stake in Irish Life and the potential privatisations of Telecom Eireann and the Aer Lingus group should greatly improve market liquidity.

In addition, the flotation next month of the building society Irish Permanent should raise between I£30m and I£50m.

Trading in futures and options up in Sydney

The Sydney Futures Exchange said that futures and options trading rose by 51 per cent in the first eight months of 1994, compared with the same period a year ago, thanks partly to a surge in interest from overseas, Reuter reports from Sydney.

The chief executive of the exchange, Mr Les Hosking, said that a total of 21.3m contracts were traded in the period to August 31. Of the total, 8 per cent was sourced from overnight trading on SFE's after-hours screen-based market.

Mr Hosking said that SFE equity derivatives have been the fastest growing products. Interest rate contracts also saw solid growth, with volumes rising by 38 per cent for the three-year bond contract, by 45 per cent for the 90-day bank bill contract and by 46 per cent for the 10-year bond contract.

● The Chicago Mercantile Exchange is to consolidate its two largest divisions into a single membership class. The exchange proposes payouts to agricultural sector traders of $60,000 to $$70,000 in a deal totalling $45m.

Lend Lease ahead and sees further advances

By Nikki Tait in Sydney

Lend Lease, the Sydney-based financial services group, has announced an operating profit before tax of A$264.7m (US$196m) for the year to end-June, up from A$248m in the previous 12 months. The after-tax figure increased by 12.6 per cent to A$232.1m, and fully-diluted earnings per share rose 12.3 per cent, to 109.7 cents.

The company said there were gains in all its main divisions, which comprise property, corporate services and retail financial services, including the MLC and Australian Eagle life businesses.

Funds under management, which take in those of the recently-acquired Yarmouth group in the US, now total A$29.2bn, an increase of 57 per cent.

The company said that it is budgeting for further improvements in profit and earnings per share in the current year.

It noted that its 12 per cent stake in Westpac, the large Australian banking group, was held at cost, or A$619m, while the market value of the investment was now A$785m.

Offer for Texaco Canada rejected

By Robert Gibbens in Montreal

Texaco, the big US oil group, has rejected an offer worth C$200m (US$146m) for its Canadian subsidiary, Texaco Canada Petroleum.

The US company says Texaco Canada is an important part of group strategy for North America. Texaco holds 78 per cent of Texaco Canada, an Alberta oil and gas producer and developer.

The bid is from Canadian 88 Energy, a small western Canada oil and gas company, which is offering C$1.60 a share for Texaco Canada's 124m shares after Texaco itself offered to buy the minority-held shares at C$1.40 a share.

Dissident Texaco Canada shareholders had complained that Texaco's offer grossly undervalued Texaco Canada's assets. Canadian 88 insisted its bid was "very serious" and not aimed at forcing Texaco to raise its offer for the minority shares. It owns almost 10 per cent of Texaco Canada.

Malaysian group expands in Canada

By Kieran Cooke

Berjaya, one of Malaysia's fastest growing conglomerates, plans to buy a 60 per cent stake in Taiga Forest Products, a Canadian company listed on the Toronto Stock Exchange.

Berjaya is offering C$30.8m (US$23.5m) for the stake - or C$13.50 a share. It described Taiga as the largest independent Canadian building products distributor specialising in the wholesale of lumber and panel products. Taiga made pre-tax profits last year of C$8.4m on sales of C$371m.

Berjaya, controlled by Malaysian Chinese entrepreneur Mr Vincent Tan, has interests ranging from manufacturing to food distribution and hotels and leisure centres. Recently it has been expanding into timber businesses in Malaysia and the South Pacific.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / John Plender

Overdoing the caution

As analysts speculate feverishly over the outcome of Wednesday's chat between the UK chancellor and the Governor of the Bank of England it is worth casting an eye over the recent behaviour of sterling futures. In effect the market has been anticipating an increase in short-term rates of more than a full percentage point by December – in other words, at least two separate half point increases.

Notwithstanding the strong probability of some pre-emptive tightening before Christmas, the implicitly draconian forecast looks manic in the light of recent economic data.

It certainly appears a back-handed compliment to the credibility of UK monetary policy, as, incidentally, does the behaviour of long-term rates (see chart), where the yield differential in the UK has moved very unfavourably this year against German bunds. The question is whether the markets are overdoing the caution, leaving a big arbitrage opportunity for cooler heads.

Some, such as CS First Boston in its September fixed income research bulletin, have unhesitatingly recommended buying the December short sterling futures contract outright. My inclination is on their side of the argument. But it is still worth playing devil's advocate to see what could justify the market's pessimism.

The prize candidate for this role is a sterling crisis. The obvious scenario would probably involve market worries about high rates of growth leading to a rapid disappearance of the gap between actual and potential output, quickly followed by inflationary bottlenecks. Against a background of no early increase in base rates and a November budget which is perceived to be excessively political and over-generous, this could easily do the trick.

The snag with the argument is that we have already seen some pre-emptive tightening by the bond markets, which have imposed constraints on consumption via the rise in the cost of fixed-rate mortgages. This has coincided with the chancellor's tougher fiscal policy starting to make its mark.

The worry about capacity utilisation thus looks premature in relation to a December futures contract. As for the concern about Kenneth Clarke's fiscal and monetary intentions, it presupposes that the man is wholly devoid of judgment.

A more interesting case for pessimism is that advanced by Mr Brian Reading of Lombard Street Research. This hinges on Britain's role as a global financial intermediary in a world where the pattern of capital flows looks increasingly perverse. If life were rational, countries with ageing populations in the developed world might be expected to run current account surpluses on their balance of payments and to export capital to developing countries where the risk-adjusted returns are much higher. Yet within the Group of Seven industrialised countries, only Japan comes close to matching that description.

Even then, the Japanese last year recycled only half their current account surplus in the form of long-term direct and portfolio outflows. But the most remarkable statistic in the accompanying table is the one that shows Britain, despite being in substantial current account deficit, becoming the biggest net exporter of long-term portfolio capital in the G7 in 1993.

The US, too, has recently turned generous with its outflows, especially if direct outward investment of a further net $37bn is included. Meanwhile, Germany and Italy both received huge portfolio inflows.

Part of the reason why the English-speaking economies have been exporting capital despite running current account deficits is that their financial systems are so highly developed. Traditionally, ageing Britons are big savers. But much of their saving has been recycled to younger Britons who borrow more than their counterparts elsewhere. When the inter-generational transfer is netted out, the savings rate proves unduly low and contributes to a large current account deficit.

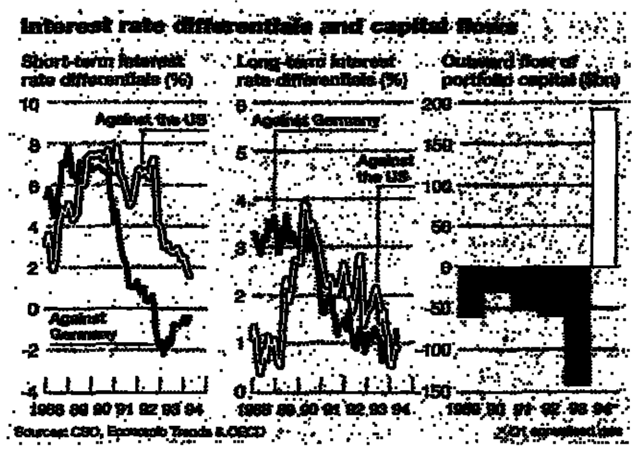
Yet the deployment of the gross savings of the ageing populations of the US and Britain is conducted mainly by fund managers without regard to macro-economic considerations such as the overall level of national savings. This leads to a big financing requirement. Both countries have, in effect, ended up borrowing short and lending long on a huge scale.

This leads to an unstable situation, which is more worrying for Britain than the US where external factors are less important for the conduct of monetary policy. Given that the UK economic recovery is more advanced than continental Europe's, Britain will need to cut interest rates again before Germany. That could cut off the short-term inflows, causing sterling to crash.

Mr Reading concludes from this that the way to deal with the new external constraint on monetary policy is to allow currencies to take the strain, while the consequences of easier money are offset by tighter fiscal policy.

An equally striking feature of the table is the reversal of the biggest net flows, those of Britain and Japan, in the first quarter of this year. Yet in practise they do not represent conventional repatriation since they were largely offset by a return to repayments of borrowing. Because of the historic losses sustained through the appreciation of the yen, Japanese institutions finance much of their international capital excursions in the euromarkets. London, meanwhile, plays host to many leveraged investors in its capacity as an international financial centre.

The big swings in the table help explain the extent of the bond market fall-out earlier this year. And, indeed, why burnt investors are leaving such large arbitrage opportunities in the futures markets.



Total return in local currency to 1/9/94

Cash						
Week	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bonds 3-5 year						
Week	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bonds 7-10 year						
Week	0.82	-0.05	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	-0.98	[illegible]	[illegible]	[illegible]	[illegible]
Year	[illegible]	0.82	[illegible]	[illegible]	[illegible]	[illegible]
Equities						
Week	2.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	2.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Cash & Bonds - Salomon Brothers. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

NET CAPITAL FLOWS

$bn	1989	1990	1991	1992	1992	1994Q1 annual rate
USA	46	-30	9	22	-15	10
Japan	-38	4	70	-26	-63	152
Germany	-3	-4	22	36	120	-57
Britain	-34	-15	-18	-21	-83	271
France	22	35	14	34	3	-75
Italy	3	-1	-6	-13	57	38
Total	-4	-11	91	32	19	339

COMMODITIES Richard Mooney

Cocoa pact talks to resume

Cocoa Producers and consumers will on Thursday begin a fresh attempt to agree rules covering a production management deal that was implemented in February.

Members of the International Cocoa Organisation (ICCO) failed to reach agreement in June, when consumers complained that their views were not adequately represented on the organisation's production committee.

The International Cocoa Agreement, which is operated by the ICCO, has adopted production management and consumption promotion in place of its buffer stock price stabilisation scheme, which has been moribund for some years.

This month's session, which is to continue until September 20, will comprise meetings of the full ICCO council, as well as the production, consumption and executive committees.

Some of the urgency was taken out of the revival of the cocoa pact by last autumn's price rally, with expectations of more to come as reduced production in West Africa and other areas (a legacy of historic low prices) promised a drawdown from world stocks.

Prices have become stuck in something of a rut this summer, but remain some 35 per cent above the level of the summer of 1993.

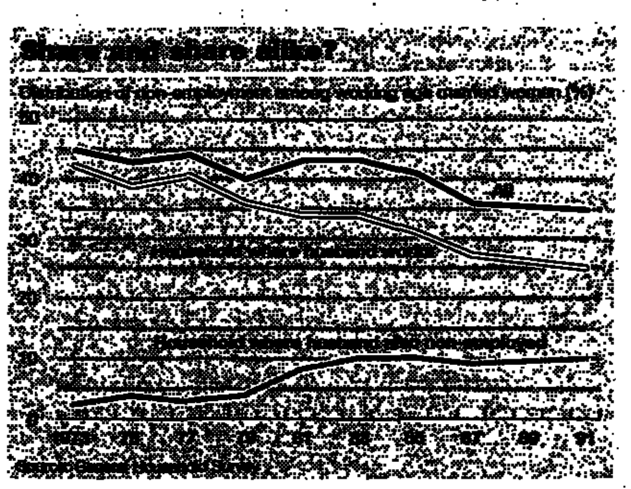
Nevertheless, producing members of the ICCO are keen to have some working machinery in place to counter any later market setbacks. Some have suggested that if some satisfactory arrangement cannot be reached under the auspices of the ICCO, then producers might do worse than to emulate the coffee producers' successful export retention scheme, which had helped to lift prices even before June/July frosts in Brazil drove them to 8½-year highs.

Other events this week include a three-day Indian planters' meeting in Coonoor to assess crop prospects for tea, coffee, rubber and spices, and a four-day international oils and fats conference in Kuala Lumpur. On Wednesday Statistics Canada is due to release its grain stocks report.

Economics Notebook

Sex and the labour market

If a rise in the sale of apples relative to oranges had negative wider consequences, observers might call for market reform. Few, however, would accuse apples of harbouring anti-social ambitions. The trouble with the labour market is that people are not like fruit. Discern a trend, and you could find your politics being examined more vigorously than the finding itself.



Analysing developments in the UK over the past 20 years is especially hazardous. Overall, employment trends have favoured women; but an article published today in the centre-left journal, *New Economy**, argues that economists' research has gone the other way.

The author, Rosemary Quiney, claims that in describing the decline of full-time work for men, and the accompanying growth of the female, largely part-time, labour force, researchers may be encouraging a backlash against women.

Female employment in the UK has risen by 23 per cent since 1971, while the number of employed men has fallen by almost the same amount. Most researchers trying to understand this change claim to welcome the fact that female job opportunities have grown. Women have clearly benefited from the shifting character of jobs created, a rising proportion of which are part-time, and concentrated in the service sector.

The same authors have understandably – if, according to Ms Quiney, incautiously – drawn attention to the downside of recent developments, both for male employment prospects and the distribution of income across households.

Male unemployment, currently 12.6 per cent, is more than double the 5.1 per cent rate suffered by women.

In addition, since more than three-quarters of female part-time work is taken by married women with employed husbands, there might be a damaging side-effect for the overall distribution of income. "Work-rich" households, in which both partners have jobs, boost their relative standing, while the homes of the unemployed slip even further down.

Too often, Ms Quiney argues, these facts are implicitly drawn together into an accusation against women. Not only are women suffering less unemployment than men, but since they are already "comfortably off", female part-timers are effectively branded as "stealing jobs from needy men because of a selfish desire to buy pins".

This is not merely politically incorrect; it is factually questionable as well. For one thing, headline unemployment rates are notorious for understating the number of jobless women. Statistics calculated by the OECD tend to put UK female unemployment a good deal higher than the official rate.

Even the adjusted figures miss out those women who drop out of the labour force to work at home, when their job prospects are low. In fact, a smaller proportion of single mothers are finding work: 22 per cent were employed in 1990-2, compared to 26 per cent in 1977-9.

It is equally misleading to characterise married women's employment as a bid for extra pocket money. As Ms Quiney notes, most working women contribute more than a third of their household's earned income.

Research by Mr Stephen Machin and Ms Jane Waldfogel, at the London School of Economics, has found that a disproportionate number of the women going out to work were from poorer households. This means that, far from adding to the recent trend towards greater income inequality among working households, the "emancipation" of such women counteracted it. Many families might be in poverty, were it not for the woman's efforts.

The distributive effects of the rise in the number of dual-earner households could be less favourable if one includes families in which no-one has a job. But the chart (left) shows that this is where women have *not* avoided their partners' fate.

The top line of the graph confirms the steady rise in the number of working wives. The percentage of married couples of working age in which the woman is "non-employed" (either on the dole or out of the labour force altogether) has fallen from 45 per cent, in 1973, to 35 per cent in 1991.

However, this disguises the fact that only the wives of working husbands have been finding jobs. The middle line charts their progress: a mere 25 per cent of them are now non-employed, compared to 42 per cent 20 years ago. This is steeper than the line above, because a growing proportion of women in the same type of household have been "sharing" non-employment with their husbands: nearly a tenth, in 1991, compared to 3 per cent in 1973.

If one combines these results for married couples with the relative labour market failure of single mothers, it is clear that the problem is not rising sexual equality, per se. In a growing number of "work-poor" homes, neither men nor women are being offered the full-time, permanent jobs which were the norm when the benefit system was created. Instead, firms are opting to employ workers on rather different terms. Accepting them can leave these families worse off, and less economically secure, than remaining on the dole.

Finding a "correct" way to describe these disturbing labour market trends ought not to distract from deciding how they might be reversed. Rather than "shoot the messenger", find ways to reform the system which produced the message.

Stephanie Flanders

* *"Women need the work", Institute of Public Policy Research.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 2 1994 US Dollar Index	% chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY SEPTEMBER 1 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	178.68	7.1	178.68	178.68	178.68	160.03	-2.1	3.45	178.73	179.25	179.21	180.65	159.97	189.15	139.24	147.51
Austria (17)	195.06	5.5	187.20	122.65	159.22	159.12	-4.5	1.00	194.91	187.59	122.79	159.80	159.75	195.41	164.64	175.47
Belgium (37)	177.04	8.8	169.90	111.23	143.80	140.38	-3.2	3.94	174.88	168.32	110.18	143.38	139.99	177.04	143.62	147.84
Canada (104)	135.60	-0.1	130.13	86.19	109.99	134.21	3.1	2.50	135.72	130.63	85.51	111.27	134.42	146.31	120.54	127.59
Denmark (33)	257.07	4.0	246.71	161.52	208.82	215.58	-5.6	1.38	258.48	248.98	159.69	207.82	214.36	275.79	223.94	227.03
Finland (24)	179.30	45.5	172.07	112.65	145.44	189.84	26.8	0.74	174.05	167.52	109.65	142.70	186.94	179.30	104.28	104.73
France (97)	175.57	-0.2	168.49	110.31	142.41	147.34	-9.6	2.90	175.01	168.44	110.25	148.48	148.16	185.37	159.34	168.44
Germany (58)	149.54	6.6	149.64	149.54	121.30	121.30	-4.2	1.70	147.51	147.94	147.91	120.98	120.98	149.54	124.39	126.67
Hong Kong (56)	404.39	-17.4	404.39	404.39	404.39	401.18	-17.4	3.05	403.69	404.75	404.69	407.94	400.42	506.56	292.08	295.67
Ireland (14)	214.99	16.1	214.99	214.99	214.99	197.79	6.8	3.20	210.82	211.54	211.49	213.19	195.38	214.99	161.54	169.25
Italy (59)	83.33	21.5	83.33	83.33	83.33	96.01	11.6	1.58	83.38	83.60	83.59	84.26	96.44	97.78	57.98	77.08
Japan (468)	164.89	28.7	164.89	103.60	164.89	103.60	12.8	0.74	164.40	164.89	103.57	166.18	103.67	170.10	124.54	158.97
Malaysia (97)	565.85	-4.3	565.85	565.85	565.85	556.04	-9.4	1.49	564.00	565.66	565.64	570.06	565.51	621.63	392.03	404.17
Mexico (18)	2251.68	-5.7	2160.87	1414.70	1826.39	8392.16	2.8	1.60	2258.37	2173.66	1422.76	1851.55	8366.65	2647.08	1615.11	1743.68
Netherland (27)	217.87	8.4	217.87	217.87	217.87	174.07	-1.4	3.30	214.48	216.11	215.06	216.79	173.18	217.87	180.25	185.40
New Zealand (14)	75.63	11.4	75.63	75.63	75.63	66.36	3.0	3.80	74.57	74.79	74.77	75.37	65.67	77.59	59.22	62.21
Norway (23)	207.96	15.8	199.58	130.65	168.67	193.17	6.3	1.71	205.05	197.36	129.18	168.12	192.23	211.74	165.62	173.38
Singapore (44)	367.33	-0.1	367.33	367.33	367.33	253.88	-6.8	1.67	367.26	368.34	368.26	371.22	253.92	378.92	285.31	287.19
South Africa (59)	305.12	14.2	292.81	191.70	247.49	302.44	20.7	2.09	302.77	291.41	190.74	248.23	299.78	305.44	175.93	191.42
Spain (42)	140.47	0.8	134.81	88.26	113.94	137.92	-8.6	4.18	140.85	135.57	88.73	115.48	139.49	155.79	128.88	137.70
Sweden (36)	226.80	15.5	226.80	226.80	226.80	256.92	6.0	1.55	223.30	223.95	223.90	225.70	254.41	231.35	176.83	183.61
Switzerland (47)	166.46	4.0	158.75	104.59	135.02	135.36	-8.2	1.78	162.63	158.53	102.46	133.34	133.50	176.56	135.70	138.98
United Kingdom (204)	203.16	-0.9	194.97	203.16	203.16	194.97	-6.1	3.88	202.29	194.70	202.64	204.47	194.70	214.96	181.11	187.79
USA (517)	192.21	1.2	184.46	120.76	155.90	192.21	1.2	2.82	193.11	185.67	121.66	158.39	193.11	196.04	178.95	188.54
EUROPE (718)	176.01	4.5	168.91	110.58	142.76	157.98	-4.3	2.94	174.50	167.96	109.93	143.07	157.88	178.58	153.98	157.18
Nordic (116)	221.44	16.9	212.51	139.13	179.62	214.10	6.0	1.38	217.59	209.43	137.08	178.39	211.88	222.03	173.19	174.68
Pacific Basin (748)	174.72	20.4	174.72	174.72	174.72	114.72	8.4	1.05	174.24	174.75	174.71	178.11	114.67	178.86	134.79	153.18
Euro-Pacific (1466)	175.14	12.9	168.07	110.04	142.06	131.94	2.7	1.85	174.22	167.68	109.76	142.84	131.80	175.14	143.88	160.60
North America (621)	188.69	1.2	181.06	118.56	153.05	188.21	1.3	2.80	189.55	182.44	119.42	155.41	189.07	192.73	176.67	184.77
Europe Ex. UK (514)	157.58	6.6	151.22	99.01	127.82	136.25	-3.7	2.38	155.83	149.99	98.17	127.76	135.95	158.12	134.97	137.72
Pacific Ex. Japan (278)	270.05	-5.8	270.05	270.05	270.05	240.10	-10.1	2.70	269.54	270.93	270.27	272.44	239.77	296.21	200.18	204.81
World Ex. US (1647)	176.66	12.3	169.52	110.98	143.26	135.69	3.0	1.87	175.76	169.17	110.73	144.10	135.64	176.65	145.58	160.78
World Ex. UK (1960)	178.59	9.0	171.39	112.20	144.86	149.17	3.1	2.02	178.35	171.66	112.36	146.22	149.35	178.59	155.96	167.20
World Ex. So. Af. (2105)	179.98	9.1	172.72	113.08	145.99	152.17	2.1	2.20	179.70	172.96	113.21	147.33	152.33	180.03	156.64	169.00
World Ex. Japan (1696)	191.32	1.9	183.60	120.20	155.16	192.38	-1.4	2.82	191.12	183.95	120.40	159.69	192.85	195.20	174.04	176.41
The World Index (2164)	180.76	8.2	173.47	113.57	146.62	153.27	2.3	2.20	180.47	173.70	113.69	147.56	153.42	180.80	158.85	169.02

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 129.22 (Local).
Constituent change during the week ending 1/9/94: Deletion: Gerber Products (USA).

EMERGING MARKETS: This Week

The Emerging Investor / Stefan Wagstyl in Bombay

Bulls ride roughshod over doubters

"If making money is a sin... welcome to hell," reads an advertising sign in Bombay proclaiming the virtues of stock market investment.

All over the city there are people taking the message to heart – from the crowds milling in the narrow streets around the Bombay Stock Exchange, to the foreign investment bankers who have taken up residence in the luxury hotels.

Bombay is in the midst of its biggest stock market investment boom in over two years. The Bombay Stock Exchange's index of leading shares has risen by about 35 per cent since early May to reach a new all-time high last Wednesday of 4,588.18.

The previous record of 4,546 was set in April 1992, at the peak of a rally which collapsed when it emerged that the market was being fuelled by suspected illegal share-financing operations organised by Mr Harshad Mehta, a leading stockbroker. The ensuing Rs40bn ($12.75bn) scandal cast a cloud over Bombay's financial markets that is only now beginning to lift.

The most bullish stockbrokers are certain that the index is now in sight of 5,000. The more cautious point out that the market has already risen by more than 70 per cent since its low of 2,633 in the middle of last year, and is riding for a fall. But those who think a correction is overdue are in the minority.

The bulls' case is built on a strong revival in the economy. Three years after the start of economic reform in 1991 plunged much of Indian industry into a prolonged recession, there are signs that many companies are recovering. In the year to March 1994, exports grew 22 per cent. The first few months of 1994-95 have seen a pick-up in domestic demand, particularly for consumer goods, and this should be sustained, given that the monsoon seems to have distributed ample rains.

Moreover, the bulls expect interest rates to fall by about 1 percentage point when the Reserve Bank of India sets monetary policy later this month for the October-March half-year. This would bring minimum commercial lending rates to 14 per cent, compared with a high of 19 per cent in 1991-92.

All this, say the bulls, is feeding growth in corporate profits, which rose 75 per cent at the net level in 1993-94 and are forecast by stockbrokers to increase a further 40 to 50 per cent in the current year. According to the bulls, these increases justify current price/earnings multiples for leading shares, which trade at about 53 times their net earnings for 1993-94, and 35 times likely earnings for 1994-95.

The bears do not deny that the economic outlook is better than at any time in the past three years. But they believe that in their rush to buy, investors have pushed share prices far beyond levels justified by economic logic. "Prices are simply outrageous," says Mr Pradip Shah, managing director of Crisil, a credit rating agency. "The economy is good but it's not that good."

Mr R Balakrishnan, senior vice president at DSP Financial Consultants, a securities company, argues that the rate of profits growth has been exaggerated by one-off technical changes, including the liberalisation of foreign exchange rules and in accountancy regulations covering depreciation. "Underlying profits growth is moderate," he says.

He and other bears warn that shares are being driven up mainly by the flood of money entering a market which is too small to cope. Domestic investors' appetites have been whetted by the sight of foreign fund managers, who were allowed into India only in late 1992, chasing Indian stocks.

Even although the total market capitalisation of the Bombay market is now nearly $150bn, daily turnover is quite low – below $100m – because so little stock is freely traded. The families that control most listed companies typically hold 25 to 75 per cent of the issued capital. Other long-term holders such as development banks are also infrequent sellers. Very little is left for foreign fund managers and other new investors to buy.

The difficulties in acquiring shares are accentuated by the cumbersome trading, settlement and transfer procedures, which mean it can take six weeks for sellers to receive payment and three months for buyers to secure full ownership of their stock. Although stockbrokers and bankers are trying to improve the process, they only expect dramatic changes after the Bombay Stock Exchange and the newly-formed National Stock Exchange launch computerised on-screen trading, and a computerised share depositary is established to handle share transfers smoothly. On-screen trading on the NSE could start this year for top stocks and on the BSE next summer, but a fully-fledged depositary is two or three years away.

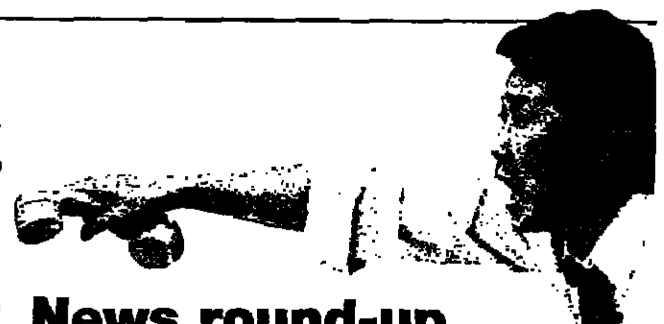
These difficulties have already persuaded some foreign fund managers to slow their purchases of Indian stock or to switch to the Euroequity issues of Indian companies. After averaging $251m a month in the first half of 1994, net foreign buying of Indian equity fell to $89m in July and $80m in August. Given that many investment funds dedicated to India have yet to invest, this slowdown is likely to be temporary, but it shows that fund managers are paying heed to price levels.

They are also diversifying their purchases from the large capitalisation stocks, which tend to trade on the highest multiples, to smaller issues, where price/earnings ratios are as low as 10. Mr Shah believes that this is where the best value is now to be found in the market – but it is also where the problems of acquiring stock are the greatest.

Ten best performing stocks

Stock	Country	Friday 2/9/94	Week on week change $	%
Int. Indorayon Utama	Indonesia	2.7112	0.5046	22.87
Pit Exploration & Production	Thailand	9.2781	1.6690	21.93
Telecomasia	Thailand	3.9792	0.5951	17.59
Comercial del Plata	Argentina	3.7556	0.5353	16.62
First Bangkok City Bank	Thailand	0.9698	0.1288	15.31
CIA Sudamericana de Vapores	Chile	0.7571	0.0888	13.28
Petrobras (pfd)	Brazil	0.1896	0.0218	13.01
Krung Thai Bank	Thailand	3.0794	0.3361	12.25
Krisda Mahanakoran	Thailand	3.3193	0.3558	12.01
Cia De Aceros del Pacifico	Chile	6.4896	0.6894	11.89

Source: Baring Securities



News round-up

Hong Kong

Sun Hung Kai plans to set up a joint venture fund with Shanghai Shenyin Securities to invest in China's A share markets, now confined to domestic investors.

The size of the fund has yet to be finalised, but it is expected to range from $50m to hundreds of millions of dollars. The plan is subject to approval from Beijing.

Lebanon

Beirut's defunct stock exchange will reopen within two months, the president of the newly-appointed stock exchange committee said in a newspaper interview.

The exchange, which operated last in 1984 at the height of Lebanon's 1975-90 civil war, would trade in shares of those companies listed on the exchange before it closed, he said. These are currently being dealt in the unofficial grey market.

Poland

Investors oversubscribed the public offering of the Polish treasury's 48 per cent stake in tyre maker Debica, the privatisation ministry said.

The initial results of the offer did not reveal the extent of the oversubscription, or the final issue price for the shares which were offered at a minimum 160,000 zlotys apiece.

Pakistan

A Karachi Stock Exchange committee has rejected an application by Mineral Grinding Mills to make a 3-for-1 rights issue to pay for the conversion of its grinding mills to cement-making. The committee said the company had not planned the project properly. Another KSE committee last month blocked a 20-for-1 rights issue planned by Tri-Star Power.

Mexico

Grupo Continental, the bottling company, is to raise some 2m pesos via a global issue of 20m L shares with restricted voting rights. The proportion of shares to be issued in Mexico and in other markets has not yet been set.

Jordan

The Amman share market was depressed last week by plans for a capital gains tax on the share dealing of financial institutions. On Tuesday, most shares plunged to the 5 per cent daily price limit imposed to stabilise fluctuations. On Wednesday, however, the general price index ended weekly trading only 0.55 down on the day at 147.12.

A feared steep fall in volume and prices was averted after investors decided the proposals were unenforceable at any time in the near future, and that they still had to be debated before becoming law.

Ivory Coast

The Ivorian state is to sell its 35 per cent stake in the cable company, Société Ivoirienne de Cables, which is 51 per cent owned by Italy's Pirelli group.

Applications for shares are expected to be taken by local banks from next week and the company should be listed on the Abidjan Stock Exchange before the end of this year.

Bangladesh

Mr Shamsul Islam Khan, the Bangladesh Commerce Minister, asked parliament this week to approve a new companies act seeking to safeguard the interests of shareholders and investors.

The bill seeks to make all company information and statistics transparent, remove disparity between public and private sector companies, and relax government control on management of companies.

● Emerging markets coverage appears daily on the World Stock Markets page

Baring Securities emerging markets indices

Index	2/9/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (288)	187.50	+2.11	+1.14	+20.05	+11.97	+19.09	+11.34
Latin America							
Argentina (20)	117.00	+3.09	+2.71	+8.34	+7.67	+1.62	+1.40
Brazil (22)	246.60	+4.60	+1.90	+62.87	+34.22	+106.95	+76.58
Chile (12)	198.60	+1.90	+0.97	+17.75	+9.81	+51.06	+34.61
Mexico (26)	153.07	-6.28	-3.94	+8.96	+6.22	-8.19	-5.08
Peru(16)	752.77	+31.78	+4.41	+63.37	+9.19	+176.68	+30.67
Latin America (96)	178.07	-0.72	-0.40	+24.02	+15.59	+28.83	+19.32
Europe							
Greece (13)	85.17	+0.65	+0.77	-0.90	-1.05	+2.08	+2.50
Portugal (16)	123.02	+1.34	+1.10	+5.21	+4.42	+10.90	+9.72
Turkey (20)	83.04	-5.73	-6.46	+1.47	+1.81	-78.67	-48.65
Europe (49)	101.59	-0.30	-0.30	+2.34	+2.35	-10.65	-9.49
Asia							
Indonesia (22)	158.94	+6.16	+4.03	+16.75	+11.78	-12.10	-7.07
Korea (23)	141.71	+3.36	+2.43	+14.42	+11.33	+32.01	+29.18
Malaysia (23)	247.97	+10.30	+4.33	+19.81	+8.59	-5.07	-2.01
Pakistan (10)	110.80	-1.07	-0.96	-0.77	-0.69	-0.89	-0.80
Philippines (11)	300.79	-1.79	-0.59	+15.52	+5.44	-21.69	-6.72
Thailand (24)	275.49	+17.20	+6.66	+31.49	+12.90	+11.93	+4.53
Taiwan (30)	176.37	+3.52	+2.04	+1.63	+0.93	+22.66	+14.74
Asia (143)	229.29	+8.28	+3.75	+17.22	+8.12	+7.87	+3.56

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES Philip Gawith

US-Japan talks move to centre stage

A series of high-level trade talks this week between US and Japanese officials could provide fresh direction for the dollar.

The trade dispute between the two countries has been a key factor in the dollar's weakness this year. There are widely differing views, though, as to what progress can be expected, and hence what the likely outlook for the dollar is.

Elsewhere, sterling will be a focus of attention as markets watch the monthly monetary meeting in the UK for any signs of a decision to raise interest rates.

In general, currency market activity is likely to be subdued by the labour day holiday in the US today, and the Jewish new year later in the week.

Mr Mickey Kantor, the US trade representative, is scheduled to hold talks with Mr Ryutaro Hashimoto, the Japanese international trade and industry ministry, and Mr Yohei Kono, the foreign minister.

Mr Paul Chertkow, head of global currency research at UBS in London, argues that a breakthrough in the talks is increasingly likely. On this basis he predicts that the dollar could rise to Y107 to Y110 by the end of the year.

Economists at Swiss Bank take a different view. "We expect that the market will become disenchanted with the persistent trade talks between the US and Japan," they say, predicting that the dollar will test new lows against the yen.

Over the next three months, however, they see the dollar rising to Y105 through central bank intervention, and dollar buying on the back of hopes that the Japanese trade and current account surpluses will shrink.

Tomorrow's release of the Bank of Japan's quarterly survey of business activity should provide some firm evidence of the strength – or not – of economic recovery.

Opinion in the UK is mixed about whether any upward move in interest rates can be expected. Good inflation figures, however, coupled with indications of a slowdown in consumer spending, appear to have shifted the odds in favour of rates staying unchanged, possibly for the rest of the year.

This may cause sterling to weaken, but the dollar probably remains a more important determinant of its fate than the level of UK interest rates.

Market concerns about Italy's fiscal position have recently contributed to lira volatility. For this reason tomorrow's meeting of the Italian cabinet, to discuss the 1995 budget, will be closely watched.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 2, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4014.40	2598.65	1665.66	2614.56
Albania	(Lek)	154.400	99.9482	64.0637	100.56
Algeria	(Dinar)	59.5466	38.5466	24.7071	38.7825
Andorra	(Fr Fr)	8.2644	5.3498	3.429	5.3825
	(Sp Peseta)	200.200	129.596	83.067	130.389
Angola	(New Kwanza)	146577.5	94884.5	60818	95465.4
Antigua	(E Carr $)	4.1698	2.6995	1.7297	2.7151
Argentina	(Peso)	1.5424	0.9984	0.6399	1.0045
Aruba	(Florin)	2.7653	1.789	1.1467	1.8
Australia	(Aus $)	2.0804	1.3467	0.8632	1.3549
Austria	(Schilling)	17.0657	11.0471	7.0809	11.1148
Azores	(Port Escudo)	247.191	160.015	102.565	160.995
Bahamas	(Bahama $)	1.5448	1	0.6409	1.0061
Bahrain	(Dinar)	0.5824	0.377	0.2416	0.3793
Balearic Is	(Sp Peseta)	200.200	129.596	83.067	130.389
Bangladesh	(Taka)	61.0177	39.4987	25.3174	39.7405
Barbados	(Barb $)	3.1054	2.0102	1.2884	2.0225
Belgium	(Belg Fr)	49.6638	32.149	20.6065	32.3458
Belize	(B $)	3.0880	1.9988	1.2812	2.0112
Benin	(CFA Fr)	826.440	534.982	342.907	538.257
Bermuda	(Bermudian $)	1.5448	1	0.6409	1.0061
Bhutan	(Ngultrum)	48.4596	31.3699	20.1065	31.561
Bolivia	(Boliviano)	7.2140	4.6698	2.9932	4.6984
Botswana	(Pula)	4.2208	2.7322	1.7512	2.7489
Brazil	(Real)	1.3587	0.888	0.5679	0.8914
Brunei	(Brunei $)	2.3168	1.4997	0.9612	1.5089
Bulgaria	(Lev)	87.5216	56.6556	36.3145	57.0024
Burkina Faso	(CFA Fr)	826.440	534.982	342.907	538.257
Burma	(Kyat)	8.9904	5.8197	3.7303	5.8554
Burundi	(Burundi Fr)	382.50	247.67	158.749	249.186
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Special Drawing Rights September 1, 1994 United Kingdom £0.943130 United States $1.44912 Germany DM2.28890 Japan Y145.129 European Currency Unit Rates September 2, 1994 United Kingdom £0.788714 United States $1.21699 Germany DM1.91778 Japan Y121.394

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for 31.3.94. (3) Yemeni rates for 29.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

Friday, September 2, 1994

WORLD BOND MARKETS: This Week

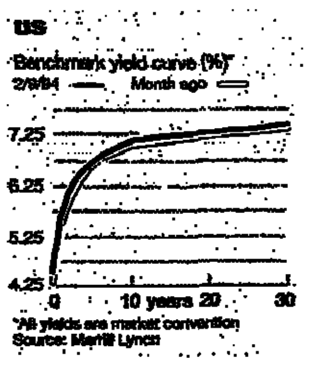
NEW YORK — Patrick Harverson

US markets are closed today for the Labor Day holiday, but when investors return to work tomorrow they are likely to still be digesting the implications of last Friday's August employment news.

Although headline numbers were reassuring, the 30-year Treasury bond yield rose to almost 7.5 per cent as investors were worried that the rise in the manufacturing working week last month indicated a strengthening in the industrial sector of the economy.

Friday's movement, however, seems overreaction to the data, and some rebound in the market is likely tomorrow morning, particularly as there will be no significant new statistics for several days.

The calendar is relatively quiet until Friday, with data on July wholesale trade and consumer credit, second-quarter productivity and weekly money supply growth unlikely to have any impact on prices.



Trading will be dominated by manoeuvring ahead of Friday's publication of the August producer prices index. Broking house Donaldson, Lufkin & Jenrette forecasts a 0.4 per cent increase in the August PPI, following July's 0.5 per cent rise, and a 0.2 per cent increase in the "core" PPI, which excludes food and energy. If the forecasts prove correct, the annual rate of producer price inflation will be steady at 2.2 per cent.

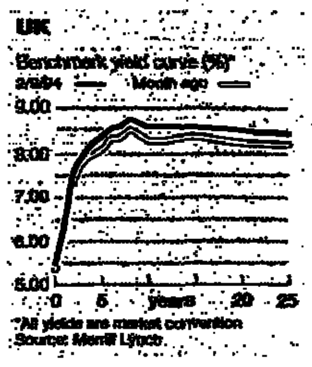
LONDON — Philip Coggan

Despite a busy week for economic statistics, the gilts market is likely to focus on Wednesday's monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer and Mr Eddie George, governor of the Bank of England.

After hints that the Bank wants to see an interest rate rise over the next few months, speculation will arise over whether the two men will immediately move to push up rates from their current level of 5.25 per cent.

Ms Katy Peters, senior economist at Daiwa Europe, says most indicators have shown little sign of inflationary pressure since the two last met. The rate of narrow money growth is expected to slow, when announced on Monday; house prices are weak; and annual growth of average earnings has stayed at 3.75 per cent. Ms Peters thinks rates will be left unchanged.

To help them decide on the strength of the recovery,



industrial production and manufacturing output figures for July will be released on Tuesday. Analysts expect each of these to rise by 0.4 per cent month-on-month.

Whatever the economic and interest rate news, gilts may find it difficult to make progress without the help of the international market. The yield spread to 10-year German bunds fell below 140 basis points on Friday, having been 180 points a few weeks ago.

FRANKFURT — Christopher Parkes

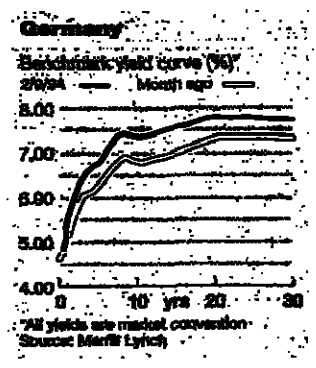
Since last week's Bundesbank meeting provided no new clues as to future German rates developments – the repo rate was again fixed at 4.85 per cent for the next two securities repurchase offerings – the mood in the domestic bond markets depends as usual this week on external influences.

For domestic investors, the DAX stock market index, driven entirely by hopes of profits improvements, remains the focus of attention. Thursday's release of first-half west German gross domestic product data has already been widely forecast and discounted.

According to some dealers, the bond market is at present characterised by an underlying negative sentiment, possibly exacerbated by post-holiday sloth among dealers.

Last week's surprise rises in French banks' base rates prompted a flurry of selling, sharpened by Germany's higher than expected industrial production figures.

US labour market data for



August, released on Friday, stirred a brief bout of buying on the grounds that unchanged unemployment figures and lower than expected new job signings signalled less buoyant economic activity. But bund futures suffered later when US analysts claimed to have detected new grounds for fearing inflation in a slight increase in hourly wages.

Today's US holiday will give German dealers a chance to make up their own minds.

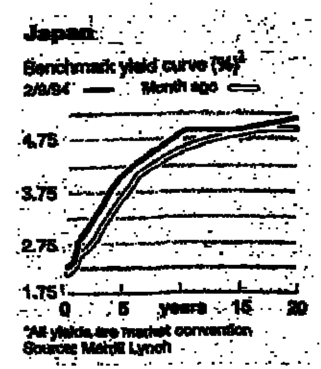
TOKYO — Emiko Terazono

While the government's view on the domestic economy will be released later this week by the Economic Planning Agency's monthly report, bond prices seem to have discounted a large part of the recovery.

The No 164 10-year benchmark bond closed up 5 basis points at 4.735 per cent last week in spite of positive news over the government's financing. Requests from ministries for the next business year have averaged increases of 4.8 per cent, while the ministry of finance indicated only a 1.25 per cent increase.

Moreover, the three-party coalition government announced that there will no supplementary budget.

The steepening of the yield curve only seems to confirm that many market participants expect a sharp jump in the economy, and a rise in inflation rather than a modest recovery and subdued inflation figures predicted by most analysts.



"The market is discounting recovery pretty far in advance," says Mr Dick Beason, economist at James Capel in Tokyo.

Meanwhile, news from the bilateral framework talks on trade with the US this week may affect movements of the yen, which usually has a short-term impact on bond yields. A stronger yen will support bonds, which are likely to face profit-taking by institutional investors.

Capital & Credit / **Graham Bowley**

Waiting for a rise in European rates

The impact of higher European economic growth on inflation and interest rates will be crucial to the performance of European government bond markets this autumn.

So far this year, the markets have had a terrible time. German government bond yields have risen by 1.7 percentage points to more than 7 per cent from a low point of 5.5 per cent at the beginning of the year. In the UK, the increase has been even greater, with yields rising by 2.5 percentage points to more than 8.5 per cent.

This turnround from last year's bull market was sparked by the US Federal Reserve's decision in February to raise short-term interest rates, which many investors took as the turning point in world interest rates. Seven months later, however, investors are still waiting for European rates to turn upwards. Europe has left recession far behind, yet strong economic growth is showing few signs of feeding through into higher inflation.

The economic data is impressive. German industrial production grew at an annual rate of 2.2 per cent in July, while inflation remains around 3 per cent. "Against that background, the Bundesbank is likely to trim interest rates further," said Mr Ken Wattret, international economist at Midland Global Markets.

In the UK, gross domestic product grew at an annual rate of 3.7 per cent in the second quarter but underlying inflation, at 2.2 per cent, is at its lowest level for 27 years.

Despite the continued good economic news, financial markets remain unconvinced that European governments will be able, or willing, to stop inflation from rising again as growth continues.

"The current high bond yields show that investors' inflation expectations are still high and that they expect interest rates to rise soon," said Mr Ceris Williams, director of fixed interest at Rothschild Asset Management.

However, many analysts are confident that yields will fall back as investors become convinced by continued good economic data that inflation will be subdued for a while yet.

"We may well see a recovery in bond prices once markets are reassured, but it is a gradual process and market sentiment is fragile," said Mr Wattret.

It is in Europe's "peripheral" bond markets, such as Sweden, where the scope for a reduction in yields is perhaps the greatest, in the medium-term at least. Sweden, plagued by concern over its ballooning public debt, has seen bond yields rise this year from around 7 per cent to as high as 12.5 per cent last month.

"Despite the volatility, Swedish bonds offer good value with yields this high," said Mr Williams. In fact, current high yields make most European government bond markets attractive.

"Investors are being paid a substantial premium for holding bonds as opposed, for example, to cash," he added.

German 12-month cash deposits currently provide returns of about 5.2 per cent, whereas 10-year bonds yield 7.2 per cent. In the UK, 12-month cash deposits yield 6.8 per cent and 10-year bonds 8.5 per cent.

However, it is not just worries about inflation that are weighing on investors' minds. Many European countries are running large government deficits, and the fear of a greater supply of bonds to fund those deficits has been a drag on European bond markets throughout 1994. As the end of the year comes closer, with many countries' borrowing programmes far from complete, those fears are intensifying.

"There are still a lot of deficits out there which need to be funded, and concern about supply is beginning to rear its head more and more," said Mr Wattret.

Daiwa, the Japanese investment bank, estimates that Germany has raised slightly less than half of its funding needs for the year, with only four months remaining.

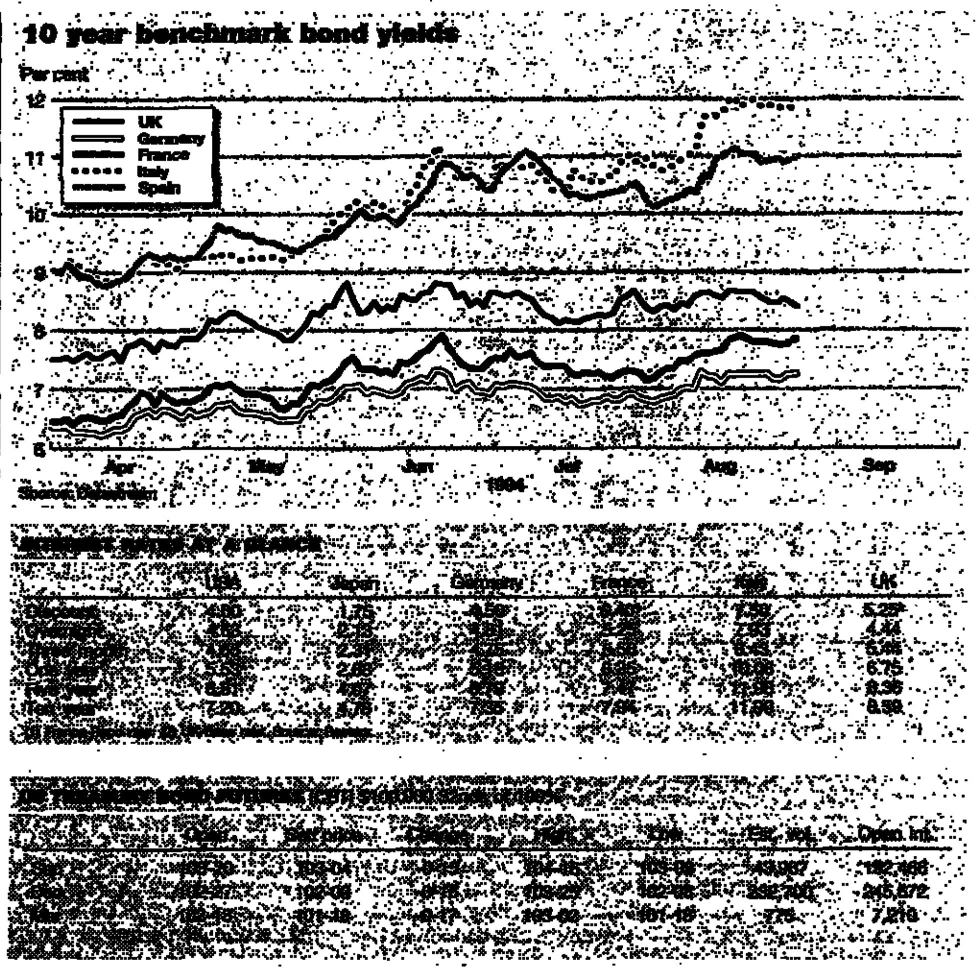
The UK, on the other hand, is more advanced. Just five months into its fiscal year, it has raised £10bn out of a total requirement of £30bn.

Germany is lagging mainly because it has been reluctant to borrow at the prevailing yields, preferring to wait for them to fall. Similarly, Spain has been forced by high long-term yields to shift its funding from the long end of the market to relatively cheaper shorter-dated debt.

Concern about increased supply, with the possibility of a more expansionist president being elected next year, will probably be one of the main negative influences on the French government bond market for the rest of this year.

In August, both Sweden and Italy raised their official short-term interest rates for the first time in this economic cycle, to the consternation of European bond markets.

On Wednesday, Mr Kenneth Clarke, the UK chancellor, and Mr Eddie George, the governor of the Bank of England, hold their regular monthly meeting to discuss UK monetary policy. A decision at that meeting to raise UK interest rates would perhaps be a greater test of current bond market sentiment than the moves by Italy and Sweden. It would be a sign that the turning point in European interest rates is really here at last.



International / Richard Lapper

Emerging markets regain lost ground

Investors are slowly returning to the secondary market for emerging country debt – one of the most volatile of all fixed income markets.

Earlier this year, amid turmoil in international bond markets, investors dumped so-called "Brady bonds" - paper issued to restructure medium-term public sector debt to foreign commercial banks – and other emerging market debt instruments.

The market remained in the doldrums for much of the spring and summer but last month, following the stabilisation of US long bond rates and positive political news in both Mexico and Brazil, prices began to recover. Analysts and traders say the market could now regain more lost ground.

"The worst appears to be over. One big proviso is that US long-term interest rates remain stable," says Peter West, economic adviser to West Merchant Bank in London.

West Merchant's secondary debt market index – based on the prices of 13 emerging countries' debt – shows a decline of some 25 per cent between the end of last year and late April. More recently though, the index has recovered, rising by nearly 9 per cent between July 25 and August 22.

Two factors in particular have helped. First, US Treasury bonds have stabilised. Investors measure the yields of Brady and other traded debt against that of the US long bond and the sharp decline in prices following the rise in US short-term interest rates triggered this year's decline.

The more recent flat trend in long-term US rates – with yields around 7.5 per cent for some weeks - has helped confidence and has allowed investors to focus more on a number of positive political developments in Latin America.

Second, the apparently "clean" victory last month of Ernesto Zedillo, the candidate of the ruling Institutional Revolutionary Party in Mexico's presidential election, has reassured foreign investors in a country which has issued a quarter of all Latin Brady bonds.

At the same time improving prospects for Brazil – which accounts for 37 per cent of all Latin American Brady bonds issued – has had a big impact. The fall in inflation following the introduction in July of the "real" plan, has helped Fernando Henrique Cardoso, the plan's architect and former finance minister, surge ahead in the opinion polls, ahead of October's elections.

Mr West is particularly impressed by the commitment of Mr Cardoso to thorough-going fiscal reform, which he believes could help consolidate the country's recovery.

The rise in Brazilian "Bradys" has led the rally, with the price of par bonds rising by 10.9 per cent and C Bonds up by 22.3 per cent in the month between July 25 and August 22.

There are some indications that the rally in prices has eased in the last two weeks. In particular, Venezuelan debt prices have fallen sharply in the last few days. Some analysts suggest that the good news on the Brazilian and Mexican political scene has now been fully discounted in prices.

"We think that in the near term Mexican and Brazilian Brady bonds are technically unlikely to rally from here," says Mr Paul Luke, head of emerging markets research at Morgan Grenfell. However in general there are grounds for optimism about future prospects, Mr Luke and others point out.

Following this year's fall in prices, there is now a much greater difference between the yields of different Brady bonds. The gap in "spreads" between the cheapest bonds, those issued by Nigeria, and the most expensive paper, from Mexico, is now more than three times greater than it was eight months ago.

"You don't have the spread compression," says Mr Luke. "Investors are being paid more for taking the big risks." And despite the fall in prices, liquidity has improved following growth in trading volume.

Trading volume in emerging market debt reached almost $2,000bn in 1993, more than twice the volume recorded in the previous year, according to a survey by the Emerging Markets Traders Association.

The completion this year of Brady deals for both Brazil and Bulgaria and the imminent prospect of an agreement for Poland has increased the supply of paper. "The market is basically broadening," says Mr Rodzianko of Chemical Bank in New York, who is chairman of the association.

Buyers have been coming back to the market, with some recovery of interest among US institutional investors and mutual funds.

Mr Rodzianko says there has been growth in local interest, especially in Brazil, where investment banks and other financial institutions have been particularly active in recent weeks. "Brazil is going to be unstoppable. There is a high upside potential. There is too much capital domestically and the first place they look beyond the borders of Brazil is the Brady bond," he says.

Mr Luke is optimistic on prospects for Bulgaria and Poland and also says Peru and Panama could be close to Brady deals. "You need good fundamentals or low prices or a combination of both. In many cases here you have good fundamental stories where assets are cheap. You can't keep a good market down."

NEW INTERNATIONAL BOND ISSUES

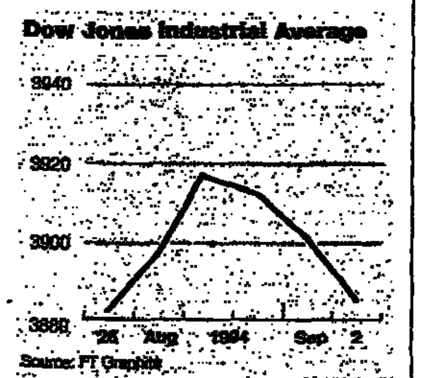
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
[illegible]							
YEN							
[illegible]							
FRENCH FRANCS							
[illegible]							
D-MARKS							
[illegible]							
CANADIAN DOLLARS							
[illegible]							
GUILDERS							
[illegible]							
ITALIAN LIRE							
[illegible]							
ECUS							
[illegible]							
AUSTRALIAN DOLLARS							
[illegible]							
SWISS FRANCS							
[illegible]							
LUXEMBOURG FRANCS							
[illegible]							

EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

Wall St likely to take a more positive line



Wall Street usually makes known its assessment of the government's monthly employment report within hours of its release. This time, market observers must wait four days to get a true reading on investor sentiment.

Analysts say Friday's limp reaction to news that non-farm payrolls had risen by only 179,000 last month was mostly a reflection of the thin trading conditions prevailing that day, with the approach of the long Labor Day weekend. The data, which revealed much weaker jobs growth than expected, should bring a more positive tone to the market when investors return to work tomorrow.

Surely, the dispirited bond market played some role in Friday's lacklustre response in equities. Fixed-income fund managers, ever wary of inflation, focused on details of the jobs report that suggested growing constraints in manufacturing capacity, which could translate into higher prices.

Economists expect evidence of such upward pressure in August producer price data due at the end of this week. Excluding the volatile food and energy sector, a rise of 0.3 per cent is forecast, after a 0.1 per cent increase in July.

Still, cautious optimism prevails in stocks. Mr John Moore, director of asset management at Value Line, the New York research firm, predicts the broad market will climb slowly and steadily.

As he points out, there is a growing belief on Wall Street that earnings, not interest rates, are gradually taking over as the controlling force in the stock market. Consequently, he says, "equity investors can afford to be forgiving right now, as long as they can assume rates are going to level off".

The jobs data did nothing to undermine such an assumption, according to most economists. "This at least buys [the Federal Reserve] some time," says Mr Ray Stone, managing director of Stone & McCarthy Research in Princeton, New Jersey. At the earliest, he says, the Fed will wait until November before lifting rates again.

In the meantime, the autumn may bring new vigour to growth stocks – especially larger capitalisation Nasdaq issues such as Microsoft and Cabletron – which have mostly languished over the past two years.

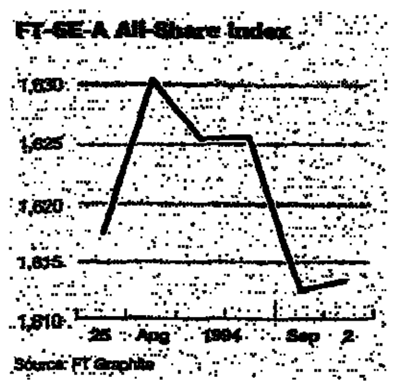
That may seem surprising in view of the broad pullback in computer stocks last week. The selling came on the heels of a profits warning issued by AST Research. An extra push down came from bellwether Compaq, which was thought to be trimming its supply orders.

However, Mr Moore attributes last week's setback to profit-taking and a fleeting bout of the jitters. Technology concerns have turned in impressive performances for the most part, he points out. "These stocks tend to have two, three or four good quarters, then they stumble. That makes everyone nervous for a day or two."

LONDON

Terry Byland

Share prices focused on higher ground



The stock market has turned highly volatile as the summer holidays – extended perhaps by the prolonged British Rail dispute – draw to a close. Although profit-taking in the wake of the latest upsurge has been modest and underlying retail business strong, there are signs this week could see a more penetrating review of market prospects.

The interest rate outlook has hardened in Europe as the latest indications of strength in the German economy have suggested the trough of the rate cycle has been reached. In the UK, Wednesday's monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, has already triggered alarm bells among market analysts.

Some believe there is already a party in the City prepared to urge that base rates should be raised now, as a pre-emptive strike against an accelerating economy and hints of inflation. It was these concerns that kept the stock market hopping from one foot to another last week.

Mr Richard Jeffrey at Charterhouse Tilney Securities points out that, while the chancellor will be politically wary of raising base rates, he has committed himself to having inflation below 2½ per cent at the end of this parliament.

"If he fails, it will be seized upon ... as a broken commitment," says Mr Jeffrey. Since the City still believes that interest rate policy has been the key to keeping domestic inflation subdued, it is not surprising that market antennae are on the alert.

However, there is still the question of whether a modest and controlled rise in base rates would stop a market now focused on the recovery in company profits and dividends. It seems clear that the equity market wants to go higher.

Recent support has come from wholesale upgradings of bank and insurance companies, and also the 12 dividend reviews among electricity companies prompted by the favourable pricing review. NatWest Securities points out that, with the impetus from gilts now missing, maintained corporate earnings momentum is even more important for equities.

Kleinwort Benson's Edmond Warner, agreeing that the interim reporting season has started in good form and is "unlikely to shake prospects for this year", warns that 1995 expectations appear overblown.

He says the strong list of profits upgrades in August, a reversal of the July trend, does not change his view that earnings will grow by only 10 per cent next year, which would be a disappointment for a consensus forecast of 13.6 per cent, according to a review by Legal & General, but these medium term views will be swept aside if the conviction that some large takeover moves are in the offing prove true.

International offerings

Israel takes a global approach to privatisation

After decades of being overlooked by international investors, Israel is preparing to emerge from obscurity with a series of international equity offerings.

Progress towards peace in the region and the easing of the Arab boycott have greatly reduced the political risks which have been associated with the country for so long. At the same time, the favourable economic outlook has made Israeli stocks an attractive alternative to other fast-growing economies in southern Europe, Asia and Latin America.

However, apart from a dedicated following in New York, where some 50 mainly hi-tech Israeli companies are listed, foreign holdings of Israeli equities are low.

At present only 2 per cent of the Israeli stock market is estimated to be owned by foreigners, a significant proportion of which is made up of BZW Investment Management's Israel Fund.

In the past, the Israeli government has not sought international capital when it sold off stakes in state-owned companies because of the strong demand from domestic investors.

However, the poor performance of the stock market this year and a diversion of savings into a buoyant property market have encouraged it to pursue a more global strategy.

Last week, the Government Companies Authority, the official body charged with selling state-owned companies, said it had chosen Wertheim Schroder, part of the UK merchant bank and fund management group Schroders, to act as financial adviser to the sale of shares in Israel Chemicals (ICL), the country's leading chemical and fertiliser company.

The government plans to sell 32 per cent of ICL, which is currently valued at around $850m, through an international public offering and 15 per cent to a single or a group of private investors.

Bankers believe that the offering, which would leave the government with a 28 per cent stake, will take place during the first quarter of next year.

In the meantime, Morgan Stanley has been selected to advise on the international offering of shares in Bezek, the telecommunications company.

The government wishes to sell 25 per cent of the company, which would lower its stake to 51 per cent. The sale, which is likely to go ahead by May next year, could raise between $600m and $700m.

Observers say that at present, Bezek is less prepared for privatisation than ICL, largely due to the uncertainty about the government's intention to break Bezek's monopoly on international phone calls.

Another candidate for privatisation is El Al, the state-owned airline. The government, which intends to sell 51 per cent of the company through the Tel Aviv stock exchange and through an international offering, has appointed BZW to conduct a valuation of the airline.

Three problems obstruct El Al's privatisation. First, the government wants to keep a golden stake to protect state interests and the exact scope of this has yet to be defined.

Second, it must also determine what to do about the airline's $55m annual security costs, 80 per cent of which are currently met by the government.

Third, the government must decide whether to remove legislation which bans El Al from Sabbath flights. The ban on flying between dusk on Friday and dusk on Saturday cost the company an estimated $30m to $40m in profit last year. Officials say these issues should be resolved in time for El Al to be floated by mid-1995.

Julian Ozanne and Antonia Sharpe

OTHER MARKETS

FRANKFURT

Another firm week is in store. UBS said that while polls are suggesting that a re-election of the CDU/CSU-FDP coalition might have helped sentiment, its key reason for being positive was the likely surprises in earnings due to higher volumes and prices.

KHD is expected to report interim results early in the week. UBS forecast a loss of DM100m after a of DM98.3m deficit last time.

However, he said the full-year result should be somewhere around break-even as the industrial plant division is likely to book most of its profits in the second half.

ZURICH

After the excitement generated last week by UBS's news of improved trading income in July and August, and the better than expected six-month figures from Roche, the health products group, on Friday, the Swiss market starts the week in confident mood.

All three of the big Swiss banks were out of favour in the aftermath of their first-half results, although there have been signs of renewed interest in recent sessions.

Mr Bryan Crossley at Hoare Govett said that while it may not be realistic to expect the Swiss banks to recover the relative standing in the market that they enjoyed back in the mid-1980s, it is much more debatable whether they really deserve to be as much as 30 per cent below their early-1987 peak relative rating.

"In the short term, continuing doubts about trading prospects are likely to remain a drag on share prices," he said.

"However, we are more optimistic about the earnings outlook for 1995 and it should be borne in mind that 1994 profits will probably end up not too far short of the record levels of 1993, which were widely considered as quite exceptional."

There was still some scope for further easing of loan provisioning requirements as the economic upturn continued, he said, which would have the effect of encouraging a renewed growth of business volumes.

Mr Crossley also argued that in a longer-term prospective, the growth in the relative importance of trading income, because of the link with interest rates, has actually reduced the overall volatility of earnings.

In the meantime, Ascom, the troubled telecommunications equipment maker, is due to outline the group's new strategy and prospects at a press conference on its first-half results on Thursday.

Results for the first quarter gave rise to some encouragement when the company announced that it had avoided an operating loss in the first quarter and that it continued to expect to break even in 1994 and expected to return to profit in 1995.

AMSTERDAM

The busy first-half reporting season continues this week. The market was in good form in the early part of last week before news of an unexpected downturn at Bols Wessanen, the drinks group, on Wednesday, led prices lower. That news put a check on a rise in shares in Heineken, which reports its own first-half results on Friday. Elsewhere in the brewing sector, Grolsch unveils interim figures on Wednesday.

Ahold is due to report tomorrow and Fortis Amev first-half figures come on Thursday.

TOKYO

Stock sales by corporate investors realising profits to boost earnings ahead of the September book closing are expected to peak this week, *writes Emiko Terazono.*

While public pension and insurance funds are likely to support prices around 20,000, large capital stocks and banks will face selling pressure.

Investors are expected to focus on releases by think-tanks on corporate earnings for the current business year to next March but Friday's futures and options settlements will introduce a note of caution.

HONG KONG

Investors will be keeping a close watch on whether the benchmark Hang Seng index can remain above the 10,000 level, *writes Louise Lucas.*

The psychological barrier was briefly pierced last Thursday in spite of China passing into law its decision to scrap the colony's democratic reforms on resuming control.

However, there are few focal points to stimulate a renewed attack on the 10,000 level: corporate reporting this week comes mainly from second and third liners, although Hopewell Holdings, the property and infrastructure company, posts its finals today.

Investors will start to focus on the Jardine companies, whose interim results kick off next week. It is expected that an announcement will be made then on the fate of the remaining companies in the group following the delisting of parent Jardine Matheson and Jardine Strategic Holdings.

Many analysts expect directors will announce that Dairy Farm, Hongkong Land, Mandarin Oriental and Jardine International Motor will follow suit, leaving a substantial hole in the 33-company Hang Seng index.

Compiled by Michael Morgan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 2 / Sch)

BELGIUM/LUXEMBOURG (Sep 2 / Frs.)

DENMARK (Sep 2 / Kr)

FINLAND (Sep 2 / Mkk)

FRANCE (Sep 2 / Frs.)

GERMANY (Sep 2 / Dm.)

ITALY (Sep 2 / Lire)

NETHERLANDS (Sep 2 / Fl.)

NORWAY (Sep 2 / Kroner)

SPAIN (Sep 2 / Pta.)

SWEDEN (Sep 2 / Kronor)

SWITZERLAND (Sep 2 / Frs.)

PACIFIC

JAPAN (Sep 2 / Yen)

HONG KONG (Sep 2 / H.K.$)

MALAYSIA (Sep 2 / MYR)

SINGAPORE (Sep 2 / S$)

AUSTRALIA (Sep 2 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Sep 2 / Can $)
4 pm close

MONTREAL (Sep 2 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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AFRICA

SOUTH AFRICA (Sep 2 / Rand)

■ TOKYO - MOST ACTIVE STOCKS: Friday, September 2, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	19.0m	385	+4	S'tomo Metal	6.7m	345	-1
Kawasaki Steel	15.0m	430	-4	Obayashi Corp	6.6m	758	+10
NKK Corp	14.8m	294	+2	Kobe Steel	5.8m	332	+3
OKI Elec	8.6m	813	+24	Sanyo Elec	5.7m	591	+14
Hanwaorp	7.1m	420	-36	NEC Corp	5.4m	1,250	+40

INDICES

	Sep 2	Sep 1	Aug 31	1994 High		1994 Low	
Argentina							
General (29/12/77)	21012.14	21211.23	21235.37	25470.40	18/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2107.0	2105.5	2122.1	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1073.9	1073.6	1084.6	1138.10	3/2	904.50	5/5
Austria							
Credit Aktien(30/12/84)	433.20	434.46	422.23	460.66	2/2	398.87	22/6
Traded Index(2/1/91)	1147.38	1151.34	1145.70	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1482.73	1479.04	1481.53	1542.65	8/2	1369.98	13/7
Brazil							
Bovespa (29/12/83)	53675	54369.0	53295.0	54369.00	1/9	3800.00	3/1
Canada							
Metals Mnrls♦(1975)	4071.17	4066.32	4093.80	4093.80	31/8	3288.06	20/4
Composite♦ (1975)	4344.20	4344.30	4349.50	4609.90	23/3	3958.80	24/6
Portfolio§§ (4/1/83)	2076.48	2081.57	2088.63	2182.89	1/2	1053.17	20/7
Chile							
IPGA Gen (31/12/80)	4821.0	4832.6	4826.5	4867.80	4/2	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	360.34	356.73	356.98	415.79	2/2	358.73	1/9
Finland							
HEX General(28/12/90)	1961.2	1933.8	1958.1	1872.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1358.42	1364.46	1378.35	1585.20	2/2	1265.38	4/7
CAC 40(31/12/87)	2020.37	2034.91	2069.08	2355.93	2/2	1898.18	4/7
Germany							
FAZ Aktien(31/12/58)	831.66	828.59	832.84	899.27	18/5	757.91	27/6
Commerzbank(1/12/53)	2365.0	2356.1	2368.6	2465.50	2/5	2148.30	27/6
DAX (30/12/87)‡	2204.71	2200.80	2212.85	2271.11	16/5	1908.82	20/6
Greece							
Athens SE(31/12/80)	853.27	847.89	846.44	1194.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9901.56	9890.90	9929.39	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4526.21	4542.78	4588.1	4588.10	31/8	3464.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	515.56	512.71	510.26	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1932.79	1915.50	1916.65	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	685.03	686.01	690.53	817.17	10/5	598.86	10/1
MIB Generale (4/1/94)	1107.0	1109.0	1116.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20653.83	20842.93	20626.53	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	299.37	299.22	299.25	311.71	13/6	268.22	4/1
Topix (4/1/68)	1641.14	1639.91	1640.39	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2405.05	2405.87	2422.80	2542.65	6/7	1873.23	4/1
Malaysia							
KLSE Comp.(4/4/86)	1160.88	1156.34	(c)	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2693.61	2702.73	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	445.8	443.6	448.0	454.80	31/1	408.30	21/6
CBS All Shr (End 83)	281.7	280.3	281.9	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2178.75	2167.02	2148.48	2439.64	3/2	1946.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1123.09	1119.19	1133.32	1211.19	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	3098.26	3079.39	3112.83	3308.37	4/1	2597.33	9/3
Portugal							
BTA (1977)	2960.4	2957.1	2958.8	3229.80	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	575.70	575.27	570.47	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2402.0♥	2331.0	2289.0	2402.00	2/9	1749.00	14/2
JSE Indl. (28/9/78)	6587.0♥	6546.0	6538.0	6757.00	15/8	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	944.52	949.23	944.23	974.28	2/2	865.37	2/4
Spain							
Madrid SE (30/12/85)	303.95	307.12	312.02	358.31	31/1	294.43	8/7
Sweden							
AffarsvarldnGen (1/2/37)	1468.2	1459.2	1452.5	1603.90	31/1	1334.70	8/7
Switzerland							
Swiss Bk Ind (31/12/58)	1266.06	1248.98	1258.50	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	946.91	935.44	940.27	1080.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	7010.63	6974.15	7008.11	7840.52	29/8	6194.69	19/3
Thailand							
Bangkok SET (30/4/75)	1539.06	1525.84	1524.83	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25457.2	25795.7	25282.4	28883.69	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	643.9*	642.5	643.7	649.80	2/8	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1401.66	1398.82	1405.52	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1227.31	1229.30	1239.38	1311.01	2/2	1143.08	21/6
JCapitalDrgns (31/12/88)	(u)	341.77	341.27	386.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	187.50	186.14	185.97	187.50	2/9	141.86	21/4

** Sat Aug 27: Taiwan Weighted Price 6253.04, Korea Comp Ex 941.23. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable ‡ IBIS/DAX after-hours index: Sep 2 - 2197.38 -11.60

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2042.0	2060.0	-19.0	2074.0	2024.0	24,011	40,518
Oct	2050.0	2025.0	-26.0	2089.0	2078.0	64	8,035
Dec	2078.0	2054.0	-17.0	-	-	-	4,088

Open interest figures for previous day.

US INDICES

Dow Jones	Sep 2	Sep 1	Aug 31	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3885.58	3901.44	3913.42	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.18	98.04	98.17	105.81 (21/1)	96.43 (13/6)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1627.96	1633.48	1642.22	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.55	185.67	189.16	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3926.64 (3927.99) Low 3871.98 (3871.86) (Theoretical♦)
Day's high 3918.92 (3913.42) Low 3880.72 (3887.84) (Actual♦)

Standard and Poors	Sep 2	Sep 1	Aug 31	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	470.99	473.17	475.49	482.90 (2/2)	438.92 (4/4)	482.89 (2/2/94)	4.40 (1/6/32)
Industrials♥	553.38	555.93	558.19	580.69 (2/2)	510.05 (21/4)	580.69 (2/2/94)	3.62 (21/6/32)
Financial	46.18	46.36	46.59	48.94 (14/6)	41.39 (4/4)	49.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.93	260.96	261.99	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	455.54	454.02	454.34	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	759.23	758.95	765.62	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 26	Aug 19	Aug 12	Year ago
Dow Jones Ind. Div. Yield	2.84	2.73	2.70	2.80
	Aug 31	Aug 24	Aug 17	Year ago
S & P Ind. Div. yield	2.33	2.37	2.43	2.46
S & P Ind. P/E ratio	21.11	20.73	23.51	27.88

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	473.60	471.55	-2.25	475.50	470.20	69,494	181,760
Dec	477.55	474.05	-2.30	477.85	472.80	15,750	62,541
Mar	480.40	477.15	-2.40	481.00	475.95	107	4,418

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	3,890,500	6⅝	—
United	3,574,800	21⅛	+1
Amer Express	3,009,300	29	+½
Amer Barrick	2,891,400	23⅝	+⅜
Philip Morris	2,718,100	60⅜	-⅛
Compaq	2,278,800	35	—
Ulco	2,231,100	16⅛	-⅜
Niag Mohawk	2,169,000	13⅛	—
Oxy Pete	2,056,900	21⅛	—
Amer T & T	2,029,200	29⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)	Sep 2	Sep 1	Aug 31
New York SE	213.683	280.443	357.592
Amex	13.897	14.528	16.826
NASDAQ	(u)	294.767	293.788
NYSE			
Issues Traded	2,829	2,873	2,873
Rises	940	844	1,216
Falls	1,068	1,298	946
Unchanged	821	731	711
New Highs	47	49	85
New Lows	28	28	18

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mgmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT 071-600 0462

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

155 Bishopsgate, London EC2M 3XY

CAF - Charity Money Management

48 Pembury Rd, Tonbridge TN9 2JD 0732 770114

CIM Unit Trust Managers Ltd

Cent. Bd. of Fin. of Church of England‡

2 Fore Street, London EC2Y 5AQ 071-588 1815

Deposit Fund: See Money Market Trust Funds.

Chargeguard UK Equity Fd/Fixed Int Fd

10 Fenchurch St, London EC3M 3LB Freephone 0800 718853

INSURANCES

Acuma Life Assurance Ltd

42 Southwark Bridge Road, London SE1 9HE 071 990 3433

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9QS 071-538 8800

Clerical Medical/Fidelity Investments

Narrow Plain, Bristol BS2 0JH 0272 290566

Clerical Medical Investment Group

Narrow Plain, Bristol BS2 0JH

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

Laurentian Life plc

M & G Life and M & G Pensions - Contd.

MGM Assurance (u)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Sun Life Pensions Management Ltd

Swiss Life (UK) PLC

Century Life International Ltd - Contd.

Eagle Star Intl Life

Equitable Life

DBS Financial Management Ltd

Fairmount Financial Services Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Coutts & Co Fund Managers Limited

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Derivative Products Fd Plc

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Emerging Markets Fund Plc (u)

Morgan Grenfell Fixed Income Funds Plc

Gartmore Fund Mngrs Intl Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

MANAGEMENT SERVICES

Capital Trust Financial Management

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

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Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

S.G. Warburg Asset Mngmt Lux SA - Contd.

LUXEMBOURG (REGULATED)(**)

Investissements Atlantiques SA

Lloyds Bank Luxembourg (u)

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 GMM Fund SICAV (u)

OTHER OFFSHORE FUNDS

Europe 1992

S.G. Europe Obligations SA

FFM / Swiss Financial Services

Fairbanks Global Capital Fund Ltd

Jupiter Tyndall (Bermuda) Ltd

KI Asia Pacific Fund Ltd

Kingate Global Fund Ltd

Kingdom Offshore N.V.

Korea China Super Fund Ltd

Quantum Group

Real Estate Strategies Ltd

Regent Fund Management Ltd

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0557	-0.0309	579 - 734	17.1756	17.0579	17.0613	0.3	17.0495	0.4	-	-	115.3
Belgium	(BFr)	49.6638	-0.3344	216 - 059	50.2050	49.6160	49.6288	0.8	49.6788	-0.1	49.4598	0.4	116.8
Denmark	(DKr)	9.5243	-0.0529	206 - 280	9.6127	9.5174	9.5315	-0.9	9.5511	-1.1	9.5654	-0.6	116.6
Finland	(FM)	7.7933	-0.0476	838 - 028	7.8850	7.7890	-	-	-	-	-	-	84.5
France	(FFr)	8.2944	-0.0488	610 - 678	8.3434	8.2541	8.2679	-0.5	8.2686	-0.2	8.2318	0.4	110.2
Germany	(DM)	2.4101	-0.0189	085 - 117	2.4434	2.4074	2.4101	0.0	2.4074	0.4	2.3796	1.3	128.2
Greece	(Dr)	368.655	-0.17	339 - 970	370.268	366.077	-	-	-	-	-	-	-
Ireland	(I£)	1.0086	-0.0041	079 - 093	1.0164	1.0057	1.009	-0.5	1.0104	-0.7	1.0181	-0.7	104.8
Italy	(L)	2432.83	-2.77	135 - 431	2449.98	2428.03	2439.83	-3.5	2452.33	-3.2	2513.83	-3.3	75.5
Luxembourg	(LFr)	49.6638	-0.3344	216 - 059	50.2050	49.6160	49.6288	0.8	49.6788	-0.1	49.4588	0.4	116.8
Netherlands	(Fl)	2.7041	-0.0209	027 - 056	2.7370	2.7019	2.7042	-0.1	2.7013	0.4	2.6695	1.3	120.9
Norway	(NKr)	10.5718	-0.0664	679 - 757	10.6902	10.5650	10.5688	0.3	10.5793	-0.3	10.5853	0.1	86.3
Portugal	(Es)	247.191	-0.12	058 - 324	248.621	246.856	248.921	-8.4	252.101	-7.9	-	-	-
Spain	(Pta)	200.200	-1.164	077 - 322	202.077	200.044	200.64	-2.6	201.465	-2.5	204.22	-2.0	85.8
Sweden	(SKr)	11.8205	-0.0342	120 - 290	11.9167	11.8062	11.842	-2.2	11.8825	-2.4	12.113	-2.5	74.2
Switzerland	(SFr)	2.0260	-0.0135	247 - 272	2.0624	2.0240	2.0246	0.8	2.0202	1.1	1.9879	1.9	121.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.8
Ecu	-	1.2629	-0.0084	623 - 634	1.2764	1.2615	1.2637	-0.7	1.2643	-0.4	1.2639	-0.1	-
SDR†	-	0.943130	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5424	+0.0023	419 - 428	1.5448	1.5357	-	-	-	-	-	-	-
Brazil	(R)	1.3667	+0.0055	698 - 705	1.3705	1.3609	-	-	-	-	-	-	-
Canada	(C$)	2.1115	+0.0049	106 - 123	2.1147	2.0992	2.1106	0.4	2.111	0.1	2.1109	0.0	86.7
Mexico	(New Peso)	5.2283	+0.0089	232 - 333	5.2340	5.2062	-	-	-	-	-	-	-
USA	($)	1.5448	+0.0045	444 - 451	1.5470	1.5377	1.5446	0.2	1.5426	0.5	1.5303	0.9	62.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0804	+0.0074	792 - 815	2.0841	2.0713	2.0803	0.0	2.0817	-0.2	2.0999	-0.9	-
Hong Kong	(HK$)	11.9364	+0.0335	331 - 396	11.9535	11.8830	11.9325	0.4	11.9314	0.2	11.9385	0.0	-
India	(Rs)	48.4588	+0.1376	440 - 736	48.5260	48.2410	-	-	-	-	-	-	-
Japan	(Y)	153.541	+0.027	452 - 629	154.350	153.440	153.231	2.4	152.346	3.1	147.681	3.8	189.4
Malaysia	(M$)	3.9415	+0.0024	398 - 431	3.9516	3.9254	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5527	-0.0019	510 - 543	2.5596	2.5429	2.5568	-1.8	2.5644	-1.8	2.5867	-1.3	-
Philippines	(Peso)	40.7043	+0.0017	861 - 224	41.0225	40.3860	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7935	+0.0167	918 - 951	5.8016	5.7673	-	-	-	-	-	-	-
Singapore	(S$)	2.3168	+0.0059	155 - 181	2.3200	2.3066	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5260	+0.0013	235 - 284	5.5421	5.5150	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0055	+0.0279	884 - 225	7.0232	6.9531	-	-	-	-	-	-	-
South Korea	(Won)	1236.98	+4.1	660 - 732	1238.75	1231.39	-	-	-	-	-	-	-
Taiwan	(T$)	40.5312	+0.1137	096 - 527	40.5948	40.3595	-	-	-	-	-	-	-
Thailand	(Bt)	38.6266	+0.0805	023 - 507	38.6900	38.4730	-	-	-	-	-	-	-

†SDR rates for Sep 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0475	-0.052	450 - 500	11.1425	11.0450	11.0475	0.0	11.0473	0.0	10.9725	0.7	104.1
Belgium	(BFr)	32.1500	-0.31	300 - 700	32.3900	32.1300	32.175	-0.9	32.19	-0.5	32.31	-0.5	105.7
Denmark	(DKr)	6.1658	-0.0521	646 - 666	6.2437	6.1601	6.1721	-1.3	6.1931	-1.8	6.2706	-1.7	104.7
Finland	(FM)	5.0450	-0.0455	400 - 500	5.1153	5.0400	5.0475	-0.6	5.059	-1.1	5.13	-1.7	78.6
France	(FFr)	5.3500	-0.047	490 - 510	5.4195	5.3430	5.353	-0.7	5.359	-0.7	5.3205	0.6	106.2
Germany	(D)	1.5602	-0.0168	595 - 609	1.5840	1.5595	1.5604	-0.2	1.5604	-0.1	1.5552	0.3	106.7
Greece	(Dr)	238.650	-0.8	500 - 800	240.400	238.300	238.95	-1.5	239.625	-1.6	242.425	-1.6	69.1
Ireland	(I£)	1.5318	+0.0105	308 - 323	1.5369	1.5151	1.5305	0.8	1.5268	1.3	1.5051	1.7	-
Italy	(L)	1574.90	-6.35	430 - 550	1587.45	1573.00	1579.45	-3.5	1589.6	-3.7	1643.9	-4.4	76.1
Luxembourg	(LFr)	32.1500	-0.31	300 - 700	32.5900	32.1300	32.175	-0.9	32.19	-0.5	32.31	-0.5	105.7
Netherlands	(Fl)	1.7605	-0.0185	500 - 510	1.7784	1.7500	1.7506	-0.1	1.7508	-0.1	1.7448	0.3	105.4
Norway	(NKr)	6.8437	-0.0829	427 - 447	6.9371	6.8427	6.8462	-0.4	6.8587	-0.9	6.7757	1.0	96.1
Portugal	(Es)	160.020	-0.54	970 - 070	161.400	159.870	160.97	-7.1	162.645	-6.8	170.02	-6.2	95.2
Spain	(Pta)	129.600	-1.13	550 - 650	131.250	129.550	129.925	-3.0	130.565	-3.0	133.45	-3.0	80.9
Sweden	(SKr)	7.6521	-0.0442	483 - 558	7.7229	7.6417	7.6698	-2.7	7.7101	-3.0	7.9121	-3.4	79.5
Switzerland	(SFr)	1.3115	-0.0128	110 - 120	1.3320	1.3110	1.3108	0.7	1.3095	0.6	1.2993	0.9	106.7
UK	(£)	1.5448	+0.0045	444 - 451	1.5470	1.5377	1.5446	0.2	1.5426	0.5	1.5303	0.9	87.3
Ecu	-	1.2233	+0.0116	230 - 235	1.2235	1.2069	1.2224	0.9	1.2205	0.9	1.2129	0.9	-
SDR†	-	1.44912	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	-0.0014	984 - 985	0.9985	0.9984	-	-	-	-	-	-	-
Brazil	(R)	0.8860	+0.001	850 - 870	0.8870	0.8850	-	-	-	-	-	-	-
Canada	(C$)	1.3669	-0.0008	666 - 671	1.3673	1.3648	1.3677	-0.7	1.369	-0.6	1.3799	-1.0	83.4
Mexico	(New Peso)	3.3845	-0.004	820 - 870	3.3870	3.3820	3.3855	-0.4	3.3873	-0.3	3.3947	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3468	+0.0009	463 - 472	1.3477	1.3443	1.3471	-0.2	1.3478	-0.3	1.3551	-0.6	88.0
Hong Kong	(HK$)	7.7271	-0.0008	267 - 274	7.7274	7.7267	7.7268	0.0	7.7277	0.0	7.7428	-0.2	-
India	(Rs)	31.3700	-0.0013	675 - 725	31.3750	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	99.3950	-0.27	600 - 300	100.200	99.3500	99.195	2.4	98.745	2.6	96.48	2.9	149.9
Malaysia	(M$)	2.5515	-0.0058	510 - 520	2.5575	2.5510	2.5423	4.3	2.531	3.2	2.6045	-2.1	-
New Zealand	(NZ$)	1.6525	-0.006	518 - 532	1.6570	1.6504	1.6534	-0.7	1.6553	-0.7	1.6606	-0.5	-
Philippines	(Peso)	26.3500	-0.075	500 - 500	26.6000	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7508	3.7503	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.4998	-0.0005	993 - 003	1.5003	1.4993	1.4985	1.1	1.4996	0.9	1.4988	0.7	-
S Africa (Com.)	(R)	3.5773	-0.0085	765 - 780	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Africa (Fin.)	(R)	4.5350	+0.005	250 - 450	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Korea	(Won)	800.750	+0.35	700 - 800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	(T$)	26.2380	-0.002	300 - 460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Bt)	25.0050	-0.02	950 - 150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

†SDR rate for Sep 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 1. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.18	16.64	4.853	2.030	4897	5.445	21.28	497.8	403.1	23.80	4.080	2.014	4.253	3.111	309.1	2.543
Denmark	(DKr)	52.14	10	8.677	2.530	1.058	2554	2.839	11.10	259.6	210.2	12.41	2.127	1.050	2.218	1.622	161.2	1.326
France	(FFr)	60.09	11.52	10	2.916	1.220	2943	3.272	12.79	299.1	242.3	14.30	2.452	1.210	2.556	1.870	185.7	1.528
Germany	(DM)	20.61	3.952	3.428	1	0.418	1009	1.122	4.386	102.6	83.07	4.905	0.841	0.415	0.876	0.641	63.69	0.524
Ireland	(I£)	49.27	9.448	8.198	2.391	1	2413	2.683	10.49	245.2	198.6	11.73	2.010	0.992	2.095	1.533	152.3	1.253
Italy	(L)	2.042	0.392	0.340	0.099	0.041	100.	0.111	0.435	10.16	8.232	0.486	0.083	0.041	0.087	0.064	6.312	0.052
Netherlands	(Fl)	18.37	3.522	3.056	0.891	0.373	899.4	1	3.909	91.42	74.04	4.371	0.749	0.370	0.781	0.571	56.77	0.467
Norway	(NKr)	46.98	9.010	7.818	2.280	0.954	2301	2.558	10	233.9	189.4	11.18	1.917	0.946	1.998	1.462	145.2	1.195
Portugal	(Es)	20.09	3.853	3.343	0.975	0.408	983.8	1.094	4.276	100.	80.99	4.782	0.820	0.405	0.854	0.625	62.10	0.511
Spain	(Pta)	24.81	4.757	4.128	1.204	0.503	1215	1.351	5.280	123.5	100.	5.904	1.012	0.500	1.055	0.772	76.67	0.631
Sweden	(SKr)	42.01	8.058	6.992	2.039	0.853	2058	2.288	8.942	209.1	169.4	10	1.714	0.846	1.787	1.307	129.9	1.069
Switzerland	(SFr)	24.51	4.701	4.079	1.190	0.498	1200	1.335	5.217	122.0	98.82	5.834	1	0.494	1.042	0.763	75.77	0.623
UK	(£)	49.66	9.524	8.264	2.410	1.008	2432	2.704	10.57	247.2	200.2	11.82	2.026	1	2.112	1.545	153.5	[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

Sep	95.38	95.37	-	95.42	95.37	1,407	12,053
Dec	94.86	94.87	+0.01	94.95	94.88	923	10,149
Mar	94.63	94.56	-	94.63	94.54	489	4,112

All Open Interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday August 31, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	113,503,191	-706,513,563
Bankers deposits	1,565,186,677	-95,338,852
Reserve and other accounts	7,133,584,441	+2,686,177,649
	8,826,827,309	+1,884,325,234
Assets		
Government securities	1,011,103,708	+1,445,000
Advance and other accounts	7,371,088,570	+1,879,681,952
Premise, equipment and other secs	436,363,759	-113,611
Notes	8,093,367	+3,311,484
Coin	177,905	+20,609
	8,826,827,309	+1,884,325,234
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,601,906,633	+136,688,516
Notes in Banking Department	8,093,367	+3,311,484
	18,610,000,000	+140,000,000
Assets		
Other Government securities	9,399,943,284	-658,054,368
Other Securities	9,210,056,716	+798,054,368
	18,610,000,000	+140,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	25.9	100	92	Aromascan	96	+1	-	-	-	-
-	F.P.	20.4	89	81	Baillie G Shn Wrts	81		-	-	-	-
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	-
-	F.P.	1.79	48	43	Do. Warrants	47	-1	-	-	-	-
165	F.P.	74.1	173	165	Chamberlain Ph.	168		W7.3	1.0	5.5	21.8
-	F.P.	1.56	1½	1½	Cont'l Foods Wrts	1½		-	-	-	-
120	F.P.	12.5	133	118	Copyright Prom.	125		uN1.0	2.8	1.0	44.6
-	F.P.	32.2	94	91	INVESCO Jpn Disc	92		-	-	-	-
-	F.P.	3.36	50	42	Do. Warrants	48		-	-	-	-
-	F.P.	-	77	63	JF Fl Japan Wrts	65		-	-	-	-
-	F.P.	21.7	52	35	Magnum Power	52	+3	-	-	-	-
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
-	F.P.	0.60	17	5½	Do. Warrants	17		-	-	-	-
-	F.P.	1.26	40	39	Petroceltic	40		-	-	-	-
160	F.P.	181.1	162	157	Pillar Property Inv	160	+2	LN3.7	-	2.9	-
-	F.P.	4.79	44	38	Sutar Wrts 99/04	41		-	-	-	-
100	F.P.	3.81	105	97	TR Euro Gth Ptg	105		-	-	-	-
-	F.P.	2.40	95	29	Tops Ests Wrts	30		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
32	Nil	3/10	1½pm	½pm	Raglan Props	1pm	

STOCK INDICES

	Sep 2	Sep 1	Aug 31	Aug 30	Aug 26	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3222.7	3216.5	3251.3	3240.6	3265.1	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3781.3	3794.3	3818.6	3813.8	3807.0	4152.8	3363.4	4152.8	1379.4
FT-SE Mid 250 ex ITs	3785.4	3801.2	3820.8	3817.8	3810.7	4189.7	3362.4	4189.7	1378.3
FT-SE-A 350	1626.1	1625.0	1640.7	1639.7	1645.1	1778.3	1451.3	1778.3	664.5
FT-SE SmallCap	1911.89	1910.54	1906.90	1905.81	1902.88	2094.98	1777.31	2094.98	1363.78
FT-SE SmallCap ex ITs	1676.87	1674.38	1670.52	1667.99	1666.21	2060.72	1752.58	2060.72	1363.79
FT-SE-A All-Share	1613.37	1612.27	1626.64	1625.57	1630.33	1784.11	1445.85	1784.11	61.92
FT-SE Eurotrack 100	1401.86	1398.62	1405.32	1401.90	1395.89	1540.19	1303.48	1540.19	900.45
FT-SE Eurotrack 200	1451.57	1450.09	1460.58	1459.43	1449.58	1697.10	1342.85	1697.10	938.82
FT Ordinary	2508.2	2509.4	2535.0	2538.9	2552.0	2713.6	2255.5	2713.6	49.4
FT Govt Securities	91.71	92.10	91.98	91.74	92.03	107.04	90.99	127.40	49.18
FT Fixed Interest	110.83	109.80	109.89	109.84	109.38	133.87	107.33	133.87	50.53
FT Gold Mines	2139.95	2098.26	2082.37	2058.54	1996.54	2367.4	1762.02	2367.40	922.16
Predecessor Gold Mines	261.8	254.0	254.1	250.6	247.0	277.8	185.0	734.7	43.5

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	* In administration	
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

FT GOLD MINES INDEX

	Sep 2	% chg since 31/12/93	Sep 1	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	2139.95	-4.2	2098.26	52.79	100.00	2.09	2367.49	1522.66
■ Regional Indices								
Africa (16)	3303.73	0.0	3222.24	16.99	32.19	4.13	3440.80	1902.23
Australasia (8)	2717.92	+1.9	2696.90	7.28	13.80	1.93	3013.89	1593.18
North America (12)	1719.06	-8.1	1676.20	28.51	54.02	0.75	2039.65	1363.00

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines index: Sep. 2 : 261.8; week's change: +14.8 points; Year ago: 178.3.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Barclays Select
PO Box 120, Westwood Bs Pk, Coventry 0800 400100

£2,000-£9,999	4.00	3.00	4.00	Yearly
£10,000-£24,999	4.75	3.56	4.75	Yearly
£25,000-£49,999	5.00	3.75	5.00	Yearly
£50,000-£99,999	5.25	3.94	5.25	Yearly
£100,000+	5.50	4.13	5.50	Yearly

Barclays Prime Account H.I.C.A.
PO Box 125, Northampton 051-2546236

£1,000-£2,499	2.00	1.50	2.02	Qtr
£2,500-£9,999	2.25	1.69	2.27	Qtr
£10,000-£24,999	2.75	2.06	2.78	Qtr
£25,000+	3.35	2.51	3.39	Qtr

Brown Shipley & Co Ltd
Founders Court, Lothbury, London EC2 071-606 9833

HICA	4.00	3.00	4.06	Qtr
Prof Demand A/c	4.00	3.00	4.01	Qtr

Caledonian Bank Plc
8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235

HICA	4.75	3.5625	-	Yearly

Cater Allen Ltd
20 Birchin Lane, London EC3V 9DJ 071-623 2070

HICA	3.50	2.63	3.56	Mth
Fixed £50,000+	4.43	-	4.52	Mth
Overnight £50,000+	3.75	-	3.81	Mth

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH 071-248 4000

£2,500-£19,999	3.75	2.81	3.80	Mth
£20,000-£49,999	4.00	3.00	4.06	Mth
£50,000-£99,999	4.25	3.19	4.31	Mth
£100,000+	4.50	4.31	4.57	Mth
$5,000-$49,999	2.75	2.06	2.78	Mth
$50,000-$99,999	3.25	2.44	3.30	Mth
$100,000-$199,999	3.50	2.63	3.56	Mth
$200,000+	3.75	2.81	3.82	Mth

Many other currencies are available – for rates please phone ext 2168

Clydesdale Bank Flexible Solution Acc
30 St Vincent Place, Glasgow G1 2HL 041-248 7070

£10,000-£49,999	3.70	2.78	3.75	Qtr
£50,000-£249,999	3.80	2.85	3.85	Qtr
£250,000 and over	4.50	3.38	4.58	Qtr

The Co-operative Bank
PO Box 300, Skelmersdale, Lancs 0345 252000

TESSA	5.25	-	-	Yearly
Pathfinder – Card Based Current Account				
All Balances	4.90	3.68	5.01	Mth
Investment 90 – 90 Day Notice Savings				
£50,000+	5.25	3.94	5.32	6-Mth
£25,000-£49,999	4.50	3.38	4.55	6-Mth
£10,000-£24,999	4.00	3.00	4.04	6-Mth
£5,000-£9,999	3.00	2.25	3.02	6-Mth
Top Tier – Instant Access Savings				
£50,000+	3.75	2.81	3.79	6-Mth
£10,000-£49,999	3.25	2.44	3.28	6-Mth
£5,000-£9,999	2.25	1.69	2.26	6-Mth
Business Deposit – Instant Access				
£250,000+	4.06	3.05	4.10	6-Mth
£50,000-£249,999	3.00	2.25	3.02	6-Mth
£10,000-£49,999	2.75	2.06	2.77	6-Mth
£500-£9,999	2.31	1.73	2.32	6-Mth

30-60 day notice available Tel 0345 213213

Portman Bldg Soc Prestige Cheque Account
Richmond Hill, Bournemouth, BH2 6EP 0800 653963

£50,000+	5.50	4.13	5.50	Yearly
£30,000-£49,999	5.00	3.75	5.00	Yearly
£20,000-£29,999	4.50	3.38	4.50	Yearly
£10,000-£19,999	3.50	2.63	3.50	Yearly
£2,500-£9,999	2.50	1.88	2.50	Yearly

Rea Brothers Limited, Bankers
Aldermans Walk, London EC2M 3XR 071-623 1155

Professionals' Client Account	4.75	3.56	4.85	Mth
Professionals' Office Account	4.50	3.38	4.59	Mth
£50,000+ Instant Access Chq Ac.	4.25	3.16	4.32	Qtr

Royal Bank of Scotland plc Premium Acc
42 St Andrew Sq, Edinburgh EH2 2YE 031-523 6302

£50,000+	3.75	2.81	3.80	Qtr
£25,000 – £49,999	3.50	2.63	3.56	Qtr
£10,000 – £24,999	2.75	2.06	2.78	Qtr
£5,000 – £9,999	2.00	1.50	2.02	Qtr
£2,000 – £4,999	1.50	1.13	1.51	Qtr

Save & Prosper/Robert Fleming
16-22 Western Rd, Romford RM1 3LB. 0800 282101

Client Account	3.75	2.81	3.82	Daily
TESSA Fixed 1 Year	5.60	-	5.75	Mth
TESSA Variable	4.41	-	4.50	Mth

Tyndall Bank plc
29-33 Princess Victoria St, Bristol 0272 744720

HIMA £5000+/Master Plus	3.500	2.625	3.548	Qtr
Demand/HIMA £10000+	3.625	2.719	3.675	Qtr
HIMA £50000+	3.750	2.813	3.803	Qtr
HIMA £100000+	3.875	2.906	3.932	Qtr
Tyndall TESSA	4.375	-	4.447	Qtr

United Dominions Trust Ltd
PO Box 92, Herts, EN4 0DY 081-447 2438
Capital Plus Cheque Account

£1,000+	4.75	3.56	4.84	Qtr

United Trust Bank Ltd (formerly ULC)
1 Great Cumberland Pl, London W1H 7AL 071-258 0094

£10,000–90 day notice	8.75	6.06	8.92	3-Mth
£10,000–180 day notice	7.50	5.63	7.64	6-Mth
£25,000 – 1 Year	7.25	5.44	-	Yearly

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, London EC2V 6DS 071-382 6000

Special Acc.	3.375	2.53	3.41	Mth
£10,000 and above	3.625	2.72	3.67	Mth

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£15,000+	4.75	3.56	4.84	Qtr
£5,000-£14,999	4.50	3.38	4.58	Qtr
£1,000-£4,999	4.25	3.19	4.32	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		930	1.7	Q375c	1.9	Oct Apr	3'93	–
Barlow	Z	£41/2	6.2	Q18c	–	Jul	20.6	–
Gold Flds Prop R		127xd	–.8	Q52c	ф	Feb Sep	31.1	–
NK Props	s	65	—	844.7c	0.3	Feb Oct	19.10	–
SASOL	♥	493	4.5	Q78c	–	Oct	23.9	3919
SA Brews		232½	0.6	Q155c	2.2	Dec Jun	30.5	–
Tiger Oats	†	608	—	Q85c	2.9	Jul Feb	8.6	–
Tongaat-Hulett	h	582xc	10.6	Q70.8c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) UK & Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Old Mutual SA Trust Ord & Wrts (Inv Trust), Carnell (Media), First Australian Res (Oil Explm) and Freeport Leisure (Property). Deletions: Dunedin Enterprise Wrts, Rights & Issues Inc & Cap (Inv Trusts), Bridge Oil (Oil Explm) and Bredero Prop (Property).

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close September 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13¼	AAR	0.48	3.6		96	13⅜	d13¼	13⅜	
18⅞	12⅝	A L Labs A	0.18	1.1	36	171	15⅞	15½	15⅞	+⅛
75¼	57⅞	AMP	1.68	2.3	25	968	72¼	71¾	71⅞	-¼
72¾	52⅞	AMR			109	3376	59⅝	58¾	58¾	-½
6	3⅞	ARX			13	614	4⅛	3⅞	4	
58¼	39⅝	ASA	2.00	4.0	33	1310	50⅞	49⅝	50⅝	+⅝
31⅜	25⅛	AbbotL	0.76	2.6	17	4089	30⅛	29⅝	29⅝	-¼
14⅝	11⅝	[illegible]	0.50	3.5	10	410	u14½	14¼	14⅜	+⅛
23⅝	17¼	[illegible]	0.62	2.7		102	22⅝	22¼	22½	+⅛
16⅜	11⅛	[illegible]			28	34	u16⅛	15	16⅛	
31	22⅜	ACE Ltd	0.44	1.9	28	634	23¼	22⅝	22⅞	-⅛
12½	9⅝	ACM Gvt In x	1.09	11.1		312	9⅞	9¾	9⅞	
10⅛	7⅞	ACM GvOpp x	0.80	10.6		38	7½	d7⅜	7½	+⅛
10⅝	7½	ACM Gvt Sp x	0.90	12.4		223	7⅞	7⅜	7¼	+⅛
12	8¾	ACM Gvt Se x	1.09	12.2		546	9	8⅞	9	+⅛
11¼	8⅛	ACM Man x	1.08	12.2		82	8⅞	8¾	8⅞	
9¼	8	ACM Managd x	0.72	8.9		61	8⅛	d8	8⅛	+⅛
13½	8¾	[illegible]	0.44	3.5	15	109	12½	12⅜	12½	+⅛
9⅝	6½	Acme Elect			7	108	8⅞	8½	8⅞	+⅛
28¾	23	Acordia x	0.60	2.3	13	20	26⅝	26⅜	26⅝	
13¼	5¾	[illegible]	0.36	3.0	3	456	12⅛	11⅝	11⅞	-¼
15⅞	11⅛	[illegible]			107	1785	14⅛	14	14	
18⅜	16½	[illegible]	0.48	2.7	0	140	17¾	17⅝	17⅝	
64	46½	[illegible]	3.00	5.2		449	57¾	57	57½	+½
31⅞	16¼	[illegible]	3.00	10.7	12	4871	28¼	27½	28⅛	+⅝
6⅞	5	Advest Grp	0.16	2.9	8	z100	5½	5½	5½	
28	15	[illegible]	0.10	0.6	120	60	18¼	18⅛	18⅛	-¼
59½	49⅞	Aegon ADR	1.47	2.6	12	40	57	56¼	57	+1½
65⅝	40	[illegible]	2.76	5.5	7	983	50⅝	49⅝	49¾	-⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close September 2

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
45	37¾	StPaul	1.60	3.8	4	1072	42¾	42¼	42⅛	-⅝
9⅞	5	Salant Crp			6	67	5¼	5⅛	5¼	
49⅞	32⅝	Sallie Mae x	1.40	3.7	7	1833	38¾	38¼	38¼	-½
13⅞	11⅞	Salomon Br	0.32	2.5		302	12⅞	12⅝	12¾	-⅛
52¾	41½	Salomn	0.64	1.5	5	1466	43⅛	42¾	42⅞	-⅛
25	17½	SnDgGE x	1.52	7.9	10	714	19½	19⅛	19⅛	+.77
10	7½	SantaFeERs	0.16	1.7	9	200	9½	9⅜	9⅜	
17⅞	13½	SFeSd				4631	17⅜	16¾	17⅛	+⅜
40	31½	SantaFePac	2.80	7.9	16	18	35½	34¾	35¾	+½
28¼	18½	SanFeP	0.10	0.5	12	6410	22⅜	21¾	21⅞	
28	19⅞	SaraLee x	0.64	2.9	14	6281	22⅝	22	22	-½
50⅛	42⅛	Scana Corp x	2.82	6.3	11	77	44⅞	44⅝	44⅝	+2⅝
20½	12½	Scecrp	1.00	7.6	9	5967	13½	13⅛	13⅛	-¼
40¼	31¾	SchererRP			30	15	40⅛	40⅛	40⅛	
71⅞	54½	SchrPl	2.04	3.0	16	2858	69⅞	69	69	-¼
63	50¾	Schlmb x	1.20	2.1	23	2295	57¼	56¾	57⅛	-⅛
30⅞	23¾	Schwab(C)	0.28	1.0	13	887	30	29	29	-1
10¼	6⅛	Schweitzer			24	19	8⅝	8½	8½	-⅛
46	24⅞	SciAtl x	0.12	0.3	67	1589	44⅛	43½	43⅝	-¼
16⅞	13	Scotsman	0.10	0.6	14	5	15⅝	15¼	15¼	
66⅞	37¼	ScottP	0.80	1.2	17	2702	66⅛	65½	65½	+¼
26⅝	18⅝	ScuddrNAsF	0.21	0.8		105	25⅝	25¼	25¼	-⅛
12⅝	9½	ScuddrNEuF	0.16	1.5		165	10½	10⅜	10⅜	-⅛
18¼	13½	SeaCnB	0.70	4.1	8	11	17⅜	17¼	17¼	-⅛
18½	14⅞	SeaC1.4625 x	1.46	9.5		4	15½	15⅜	15⅜	+⅛
32⅝	26¼	Seagrm	0.60	1.9	40	2953	32⅝	31¾	31⅞	-⅜
29¾	22¾	Seagull En			31	204	24¼	23¾	23⅞	-⅛
36⅛	26⅝	Sealed Air			27	824	u36⅛	36	36	+⅛
[illegible]										

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

- T -

[illegible]

- U -

[illegible]

Price data supplied by Telekurs

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 2

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close September 2

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

FT GUIDE TO THE WEEK

5 MONDAY

Population conference

More than 15,000 delegates and representatives of non-governmental organisations gathered in Cairo for the United Nation's International Conference on Population and Development.

The weeks before the conference have been dominated by a row between the Vatican, some of its Catholic allies and Islamic conservatives on one hand and the majority of the other 160 states on the other over the wording of the proposed final text. Sudan, Saudi Arabia and Lebanon are boycotting the meeting. Religious critics have accused the text of endorsing homosexuality, abortion and adolescent sex.

The 126th annual meeting of Britain's Trade Union Congress, which opens in Blackpool today, is expected to present a more than usually unified front behind the modernising policies of Mr John Monks, general secretary. The week-long meeting will, however, be overshadowed by the continuing strike by railway signal workers.

Japanese prime minister Tomiichi Murayama meets Paul Keating, his Australian counterpart, who is on a two-day visit to Japan. Keating and Thai premier Chuan Leekpai, who is also in Tokyo this week, are expected to raise trade issues in the talks.

Banks which bailed out WPP in a $271.6m (£176m) debt for equity swap two years ago are today expected to make more than £100m profit through a placing of the 26.5 per cent stake in the international advertising agency. The placing is being organised by a consortium comprising Bankers Trust International, JP Morgan Securities and SG Warburg Securities.

Berlin: The first European Union foreign ministers meeting with the South Africa Development Community (SADC) states opens today. Finland, Norway, Austria and Sweden, which will join the EU next year, are also participating. The main aim of the conference is to increase political contacts between the EU and SADC.

The British Association for the Advancement of Science annual festival gets under way in Loughborough. This year's theme is Science In The World Around Us (to Sept 9).

The Booker Prize shortlist is announced in London. The prestigious literary award, which has 130 novels competing for the £20,000 prize, will be presented on October 11.

Farnborough Air Show, the biennial showcase for the world aerospace industry, is expecting around 220,000 visitors. This year's event includes an aerobatic world cup with 24 pilots from 15 nations (to Sept 11).

Surveys: Reinsurance, Mobile Communications.

Holidays: Canada, US (Labor Day), Israel (Eve of Rosh Hashanah), Luxembourg (local holiday).

6 TUESDAY

Slovakian sell-off

The government of prime minister Mr Jozef Moravcik (left) launches a mass privatisation programme in Slovakia involving state companies worth up to Sk250bn (£5.2bn). About a quarter of the total is to be sold through a voucher privatisation system, the remainder via tenders and direct sales. It is one of the biggest mass sell-off programmes of any post-Communist country outside the Czech Republic.

William Perry, US defence secretary, takes his second trip to Russia this year for talks with his counterpart Pavel Grachev. Tomorrow he goes to Totskoye for the first joint peacekeeping exercise between American and Russian troops.

The Bank of Japan releases its "Tankan" quarterly survey of business conditions, which should shed some light on the current state of the country's economy.

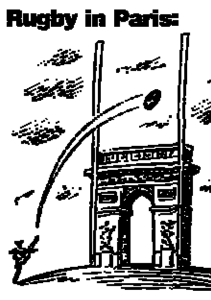
Germany's unemployment figures for August are due to be announced. Recent trends have pointed towards a gradual fall in the number of unemployed. The figures will be watched closely as Germany prepares for federal elections on October 16.

The Tokyo District Court delivers its ruling in the trial of executives at Kajima – one of Japan's leading construction company's – accused of bribing Toru Ishii, the former mayor of the northern town of Sendai, to win construction contracts.

Japan Telecom is listed on the second sections of the Tokyo and Osaka stock exchanges. The issue's high public offering price of Y4.7m (£30,616) per share is causing some investor anxiety.

Cricket: the Holder's Hill cricket team, captained by Desmond Haynes, will become the first overseas village side to play at Lord's when they meet an MCC side captained by David Gower. Holder's Hill, a tiny community in St James, Barbados, has nine men who have played for the West Indies.

Rugby in Paris:



The Barbarians are playing their French counterparts in Paris. The match is to commemorate the fiftieth anniversary of the Normandy landings and the liberation of Paris.

Holidays: Israel (Rosh Hashanah).

7 WEDNESDAY

EU on plutonium security

EU interior and justice ministers meet in Berlin to discuss a common response to trafficking in potentially weapons-grade plutonium from Russia. Ministers from neighbouring central European countries are to join the meeting tomorrow. The current German presidency of the EU also wants a formula on "burden-sharing" on refugees from the former Yugoslavia.

Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, face a policy dilemma in today's monthly monetary meeting. Interest rates have started to rise in Italy, Sweden and France, and Britain is further ahead in the economic cycle than most continental countries. Yet official inflation figures continue to come in below expectations, making it hard to sell a base rate rise to the public. Analysts expect no rise until after November's meeting.

Ryutaro Hashimoto, Japan's minister of international trade and industry, meets US trade representative Mickey Kantor in Washington. Foreign minister Yohei Kono meets Mr Kantor in Los Angeles the following day. Tokyo's two powerful ministries show signs of being at odds on how to resolve trade issues with Washington, which is threatening sanctions.

The troubled Benetton team answer charges that they illegally interfered with their refuelling rigs, thereby causing the pit-lane fire at the German Grand Prix. Their case is being considered by the FIA, the sport's governing body.

Campaigning begins for Slovakia's general election on September 30 and October 1, its first since splitting from the Czech Republic at the end of 1992. Opinion polls show the nationalist Movement for a Democratic Slovakia, led by former prime minister Vladimir Mečiar, will emerge as the biggest party.

The World Competitiveness Report will be published by the Institute for Management Development in Lausanne, Switzerland. Japan has finished top of the poll for the past eight years.

Football: England play the US in a friendly match at Wembley Stadium, London.

Survey: Enterprise in Wales.

Holidays: Brazil (Independence Day), Israel (Rosh Hashanah).

As Mr Major mulls over the IRA's open-ended ceasefire, some are predicting a radical rethink by loyalist leaders culminating in a similar ceasefire announcement

8 THURSDAY

The Pope in Sarajevo

The Pope plans to visit Sarajevo if security can be guaranteed amid warnings from Bosnian Serb leaders. The visit is intended as a gesture of solidarity with the city's inhabitants. The Pontiff's trip to the former Yugoslavia ends at the weekend with his first visit to Zagreb in Croatia.

Germany's first-half gross domestic product data are published by the federal statistics office. Informal estimates suggest that the economy grew at an unsustainable rate of 3 per cent during the period. Some slowing is expected in the current quarter, but most economists expect more than 2 per cent for the whole year.

Jiang Zemin, China's president, visits France until Sept 12 as part of a European swing that has also taken him to Russia and Ukraine. The French part of his tour is at the invitation of President Mitterrand.

The Rio Group, which brings together presidents from 11 Latin American countries and representatives from Central America and the Caribbean each year, is to meet in Rio de Janeiro. (to Sept 10).

Troops from the US, Britain and France leave Berlin today after a presence of nearly 50 years. Chancellor Helmut Kohl will bid the troops farewell.

Christie's auctions Charlie Parker's white plastic alto saxophone in London.

9 FRIDAY

Quad meets on trade

Trade ministers from the US, Canada, Japan and the EU will meet in Los Angeles (to Sept 11). The "Quad" meeting is expected to focus on multilateral co-operation to open markets and the speedy implementation of Uruguay Round talks on lifting trade barriers.

EU finance ministers meet in Lindau near Lake Constance for two days of informal talks. The meeting, chaired by the rotating German presidency of the EU, will cover the latest macroeconomic developments in Europe and steps towards European monetary union.

The Japanese government's Economic Planning Agency releases its monthly report on the domestic outlook. It has so far avoided declaring that recovery is under way, noting only that there are bright spots.

Berlin: The Conference of German and American Business Leaders is expected to focus on German-US political and economic relations. Al Gore, US vice-president, will address the conference by satellite and Chancellor Helmut Kohl will open the event.

The design team of Swan Hunter, the UK shipbuilder in receivership since May 1993, will be made redundant unless receivers Price Waterhouse have made a deal by today to sell the company. The loss of the team would end prospects of a going concern sale.

10-11 WEEKEND

US and N Korea resume talks

The US and North Korea begin negotiations in Pyongyang to implement last month's framework agreement to end the dispute over North Korea's nuclear programme. Talks aim to establish low-level diplomatic relations, and a later Berlin meeting will negotiate terms for the supply of safe light-water reactors to North Korea. In return North Korea has agreed to full nuclear inspections.

A by-election in Aichi prefecture, near Nagoya, for the Japanese upper house will be the first electoral test for the two-month-old government.

EU foreign ministers meet in Mecklenburg-Vorpommern, east Germany, for two days. Talks are expected to address the Bosnian crisis, Rwanda, relations with central and eastern Europe and progress towards the development of a common foreign and security policy.

Annual prime-time Emmy awards ceremony, television's equivalent of the Oscars, will take place in Los Angeles on Sunday.

Tennis: US Open singles finals.

Survey: Eating Out in London.

Holidays: Sunday, Pakistan (anniversary of Quaid-e-Azam's death)

Compiled by Jane Crust and Angela Bleasdale. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The UK's narrow measure of money supply, M0, has consistently been growing outside its 0-4 per cent target range, a matter which has caused concern to the governor of the Bank of England, Mr Eddie George. Analysts are hoping that figures today will show that the annual rate edged down from July's 6.5 per cent. Consumer credit figures, also out today, will shed further light on the effect of the tax increases on consumer confidence.

Tuesday: UK industrial production and manufacturing output figures will show whether economic growth is showing any signs of slowing down. Month-on-month figures can be erratic but both figures are expected to show 0.4 per cent monthly growth.

Wednesday: The UK's trade performance has held up quite well this year. Figures for June's whole world trade are expected to show a monthly deficit of £800m, down from £1.03bn in May.

Thursday: The Confederation of British Industry's quarterly distributive trades survey, out today, will give a further indication of the strength of retail sales and the health of consumer spending.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	July Consumer Credit	-	683m
Sept 5	UK	Aug MO*	0.3%	0.7%
	UK	Aug MO**	6.5%	6.5%
Tue	US	July home completions	-	1.33m
Sept 6	US	Aug domestic auto sales	6.7m	6.4m
	US	Aug domestic light truck sales	5.3m	5.2m
	US	Johnsons Redbook w/e Sept 3	-	-1.1%
	Japan	1994 Tankan Capital Spending	-2%	-3.7%
	UK	Jul Manufacturing Output*	0.4%	-0.2%
	UK	Jul Manufacturing Output**	3.6%	4.4%
	UK	Jul Industrial Production*	0.4%	0.4%
	Canada	Jul Building Permits*	-	5.6%
Wed	US	Q2 Productivity Review	-	-1.2%
Sep 7	US	Jul Wholesale Trade	-	0.5%
Thurs	US	Initial Claims w/e Sep 3	325,000	332,000
Sep 8	US	State Benefits w/e Sep 27	-	2.709m
	US	1994 Real Capital Spending	-	8.9%
	US	Jul Consumer Credit	+$9bn	$10.9bn
	US	M1 w/e Aug 29	+$5bn	$5.9bn
	US	M2 w/e Aug 29	+$3bn	$3.5bn
	US	M3	+$2.5bn	$8.3bn
	Germany	Q2 GDP - West (quarter on quarter)	1%	0.5%
	UK	Jun Global Visible Trade	-800m	-1.03bn
	Canada	Aug Help Wanted Index (seas adj)	97	96
	Canada	Jun Estimates of Labour Income	-	-0.5%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thurs.	Aust'lia	Q2 Housing Starts (seas adj)	-	4.1%
Sep 8	Aust'lia	Aug unemployment (seas adj)	9.7%	9.5%
(cont)	Aust'lia	Aug employment (seas adj)	-27,500	90,000
Fri	US	Aug PPI	+0.4%	2.5%
Sep 9	US	Ex-Food and Energy	+0.3%	0.1%
	Canada	Aug Employment Rate	0.3%	0.5%
	Canada	Aug Unemployment Rate	10.3%	10.2%
	Canada	Jul Motor Vehicle Sales*	0.3%	4.3%
	Neth'lds	Aug CPI*	0.4%	0.4%
	Neth'lds	Aug CPI**	2.5%	2.7%
	Norway	Aug CPI*	0.1%	0.2%
	Norway	Aug CPI**	1.5%	1.4%
	Switz'ld	Q2 Real GDP	1.7%	1.1%
During the week...				
	Germany	Jul Private Sector Credit (seas adj)	-	0.8%
	Germany	Jul Final M3	-	11.4%
	Germany	Aug Final Cost of Living*	-	0.1%
	Germany	Aug Final Cost of Living**	-	2.9%
	Aust'lia	Jul Private Sector Credit	-	0.8%
	Aust'lia	Jul Business Credit	-	0.3%
	Aus'lia	Jul Broad Money	-	0.0%
	Switz'ld	Aug Unemployment Rate	4.5%	4.6%
	Belgium	Aug Unemployment	14.5%	14.2%

*month on month, **year on year

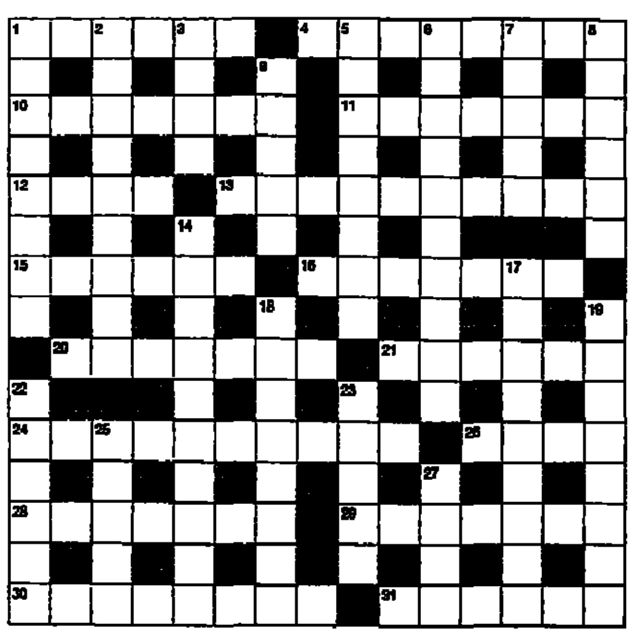
Statistics, courtesy MMS International.

ACROSS

1 Eccentric occupying nurse being soppy (6)
4 Firm, because in the chair, but certainly on edge (8)
10 It's an arrangement the queen finds less attractive (7)
11 Place article in box perhaps (7)
12 Stop providing support (4)
13 Meant to be thoughtful (10)
15 A woman fashioned these, right? (6)
16 Hiding defeat (7)
20 A large number following the game made complaint (7)
21 Warns assembly about English response (6)
24 Manual worker and a graduate involved in weighty issue (10)
26 Service for the many (4)
28 A little wench Anthony set out to charm (7)
29 A biscuit and pop taken with some hesitation (7)
30 Under-cover directions contained in a letter (8)
31 The bench decide (6)

DOWN

1 Left and that's not good (8)
2 Individual who has divided the underworld class (9)
3 Issue update (4)
5 Checks, though no longer in same mess (8)
6 Even about cigarette ends he's at odds with others (10)
7 A personal distributor of vital supplies (5)
8 Those people taking French art subjects (6)
9 Sneak about a fellow's rise (5)
14 Repeat cure when afflicted, so get better (10)
17 Modern business course (9)
18 Lively exchange concerning some key point (8)
19 Retain a little cash to make a booking (8)
22 A rest's essential for such plants (6)
23 Power for the engineer (5)
25 Large limousine maybe given to an outstanding player (5)
27 The head wanted savoury food (4)



MONDAY PRIZE CROSSWORD

No.8,550 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday September 15, marked Monday Crossword 8,550 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 19.

Name.................................

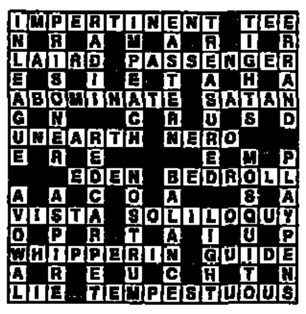
Address.................................

....

Winners 8,538

D. Smith, London SW3
C.C. Andreas, Bembridge, Isle of Wight
K. Ayton, Winchester, Hants
C.M. Betterton, London SE12
Gillian Malcolm, Chiswick, London W4
P.J.R. Wright, Wistaston, Cheshire

Solution 8,538



FINANCIAL TIMES SURVEY

MOBILE COMMUNICATIONS

Monday September 5 1994

Lines that point to cellular growth

It seems set to become a mass consumer market. But could the bubble burst? Or are the forecasts too pessimistic? Andrew Adonis looks at the evidence

Mobile communications embraces everything from the simple tone pager to advanced radio data transfer systems. But the dynamic force in the sector is the cellular telephone, entering its second decade of commercial service in the developed world.

The issue is no longer whether the cellular phone will take off, but how fast it will build a mass consumer market, and whether it is set eventually to replace the traditional fixed wire.

The Nordic countries already boast about 10 mobile phones per 100 people. Every other household in Stockholm has some form of mobile communicator, and the number of new mobile phone connections outstrips new fixed-line connections across Scandinavia. The same will soon be true of most developed countries. The UK reached the cross-over point at the turn of the year: industry estimates for June are of about 115,000 net new cellular connections, against about 100,000 new fixed-line connections.

Between 1986 and 1993 the number of worldwide cellular phone subscribers increased to 32m, with annual growth of between 45 and 50 per cent. Projections vary wildly, but on current trends between 150m and 200m cellular subscribers is a plausible projection for 2000. To put those figures in perspective, some 650m telecommunications lines are in service today.

Unsurprisingly, the cellular industry has become a gold rush, with nothing but booms and profits apparently on the horizon, and a torrent of entrepreneurs and companies – many of them with no previous telecoms experience – muscling in to make their fortune. Witness the extraordinary sums that operators are prepared to pay for licences: the Hungarian government last year netted $100m from the auction of two GSM licences, and far larger sums are changing hands in richer economies.

It would be rash, however, to suppose that operators will be able to continue opening their networks and then waiting for the cash to pour in. As the mass consumer market dawns, margins will fall, competition will hot up and serious misjudgments are bound to be made. There is already evidence of overheating in some markets: as operators dash for growth and cut-price handsets flood highstreets, rates of "churn" – subscribers leaving the networks – rise and fraud becomes a problem. Some operators are privately fearful that the cellular bubble will burst in developed markets, followed by a period of slower growth similar to that experienced in the early 1990s recession.

Yet just as convincing an argument can be made for supposing that current growth projections are pessimistic. For instance, they could be dramatically upset by the most intriguing departure in the industry – the development of "fixed cellular" systems for the local loop. Fixed cellular is in its early infancy, but as reliability improves and costs fall it has clear potential.

In the developed world fixed cellular offers a means for competitors to former monopoly PTTs to bypass the PTT local network without having to dig up the streets or erect pylons. It is also attractive to developing countries ambitious to promote rapid line growth and not immediately concerned about residential broadband "superhighway" services.

"For us, fixed cellular is one of the most significant things happening in the industry," says Mr Nagarajan Vittal, chairman of India's telecommunications commission. India has barely eight telephone lines per 1,000 people: the government's target is to double India's number of lines – from 8m to 16m, compared with 30m in the UK today – over the next four years. Mr Vittal believes fixed cellular "could have a crucial role to play," pointing to Mexico and Indonesia which have recently licensed operators.

The integration of fixed and mobile services might have a similarly far-reaching impact in the developed world. "People want to call people, not places, says Mr Torbjorn Nilsson, strategic planning director at Ericsson radio systems, the Swedish supplier. "Fixed network operators will introduce mobility to their networks by means of personal numbers based on 'intelligent networking' solutions."

The world of mass personal numbers may be some way off, but the telecoms equipment market is already beginning to feature PABX software which enables calls to be directed to mobile numbers. Network operators are increasingly anxious to make their services complement the fixed line, even to compete with it. In the UK, one of the two new cellular operators to have launched in the past year is offering free local calls in the evenings (Mercury One-2-One), while the other (Orange) will give subscribers who want one a conventional fixed-line local number for their cellular handset, allowing them to pay the difference in incoming call tariffs.

Fixed/mobile business alignments are also taking shape. AT&T's $12bn merger with McCaw Communications, the largest US cellular operator, was cleared last month. It is likely to be only the first of many such link-ups, and has already helped to precipitate several proposed mergers between regional cellular operators in the US.

Three forces are driving growth:

● New and competing networks. Across much of the developing world networks have only recently been opened, or are still to be launched. Much of the world thus remains virgin territory for the cellular operators. In the developed world, with its established networks, digital technology and the introduction of competition between operators are providing the cellular industry with a fresh wind.

The US entrenched competition from the outset, and it will become fiercer still with the auction of licences for Personal Communications Systems next year.

Elsewhere, state-owned PTTs were licensed as monopoly cellular operators in the mid-1980s. Typically, they treated their cellular divisions as cash cows, raking in large monopoly profits from growing business demand while making little or no pretence at marketing the service.

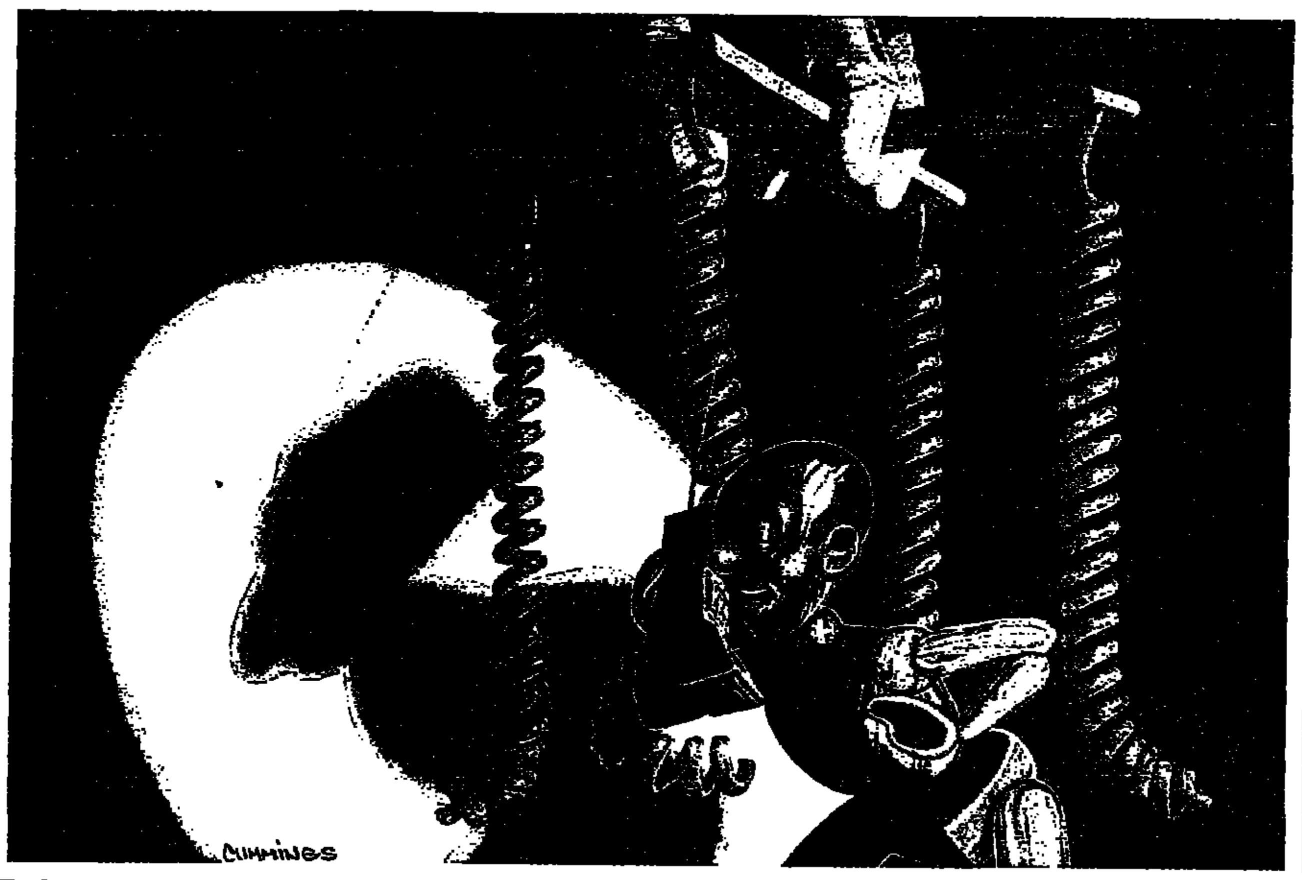
That is all changing. Second network operators are being launched across Europe and the Asia-Pacific. Under strong pressure from the European Commission over the past two years, most EU states have licensed more than one operator to provide a digital service on the pan-European digital GSM (Global System for Mobile Communications) standard. The UK has gone further still, licensing an additional two digital operators at a higher frequency, providing so-called PCN (Personal Communications Network) services. Other major EU states are following suit with PCN.

Analysts disagree on the importance of competition to subscriber growth, but beyond Scandinavia it is hard to deny a relationship. The US, which had competition from the start, has about six subscribers per 100 people. The UK, with its four competing operators, now has about 2.7m cellular subscribers – nearly five subscribers per 100 people. Germany, which was a Deutsche Telekom monopoly until the launch of a GSM network by the Mannesman consortium two years ago, has nearly trebled its number of subscribers over the past year but still has fewer than three subscribers per 100. Japan, which languishes at the foot of the league for large developed countries with barely two cellular subscribers per 100 people, only this year liberalised its handset market, having previously required subscribers to rent handsets at inflated prices.

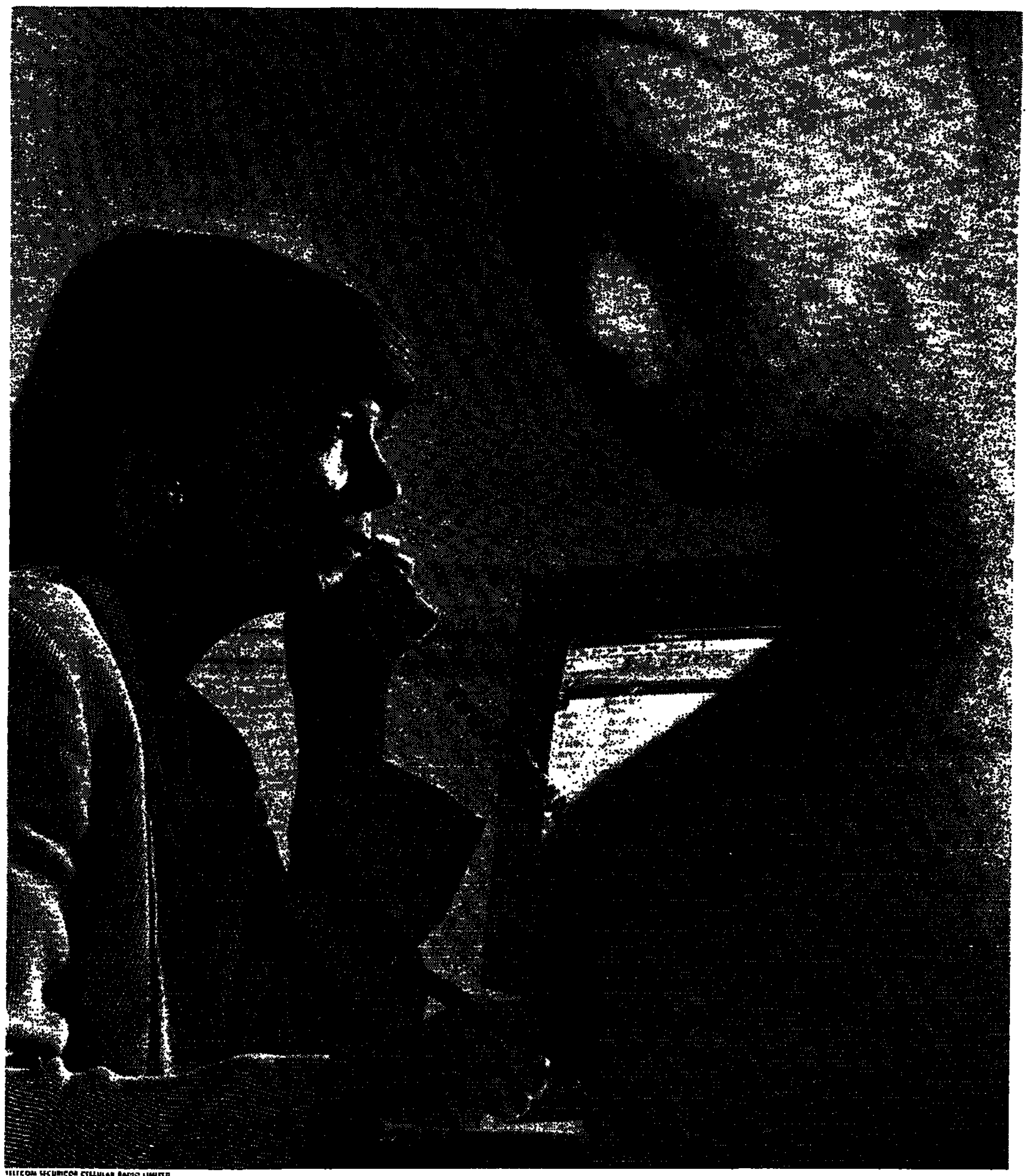
● Reducing costs. Prices of all the telecoms components of cellular networks – base stations, handsets, and interconnection charges for the use of public fixed-wire networks – are falling fast. This is a function of technological advance (base stations have shrunk from hut-size to street cabinets in a few years), computerised manufacture (it now takes a small fraction of the labour required even two years to assemble a handset), the enhanced capacity of digital systems, and lower prices for use of the fixed networks. All of these trends will continue, aided partly by technical advance, partly by greater competition, and partly by regulation, although supply shortages – particularly in digital handsets – may slow the pace.

● Cultural changes. As the penetration of cellular phones rises, they come to be seen as essential by an ever larger social group, further reinforcing growth. A recent UK survey by Ms Joyce Wood, a visiting fellow at Sussex University, shows that the image of mobile phone users as "swanky businessmen" no longer tells the whole story.

Nor is the cellular telephone the whole story of mobile communications. Paging, mobile data, and mobile satellite are all notable markets, covered in this survey. But in size and glamour they are no competition for cellular telephony.



IN THIS SURVEY



Paul Taylor examines trends among business users

Cordless systems gain ground

Business users, particularly small businesses, helped fuel the growth of cellular mobile telecommunications in the early 1980s in the US and then in Europe.

A decade later although attempts are being made to broaden the market for mobile telephony, for example through the introductions of Personal Communications Networks (PCNs) like Mercury One-2-One and Hutchison's Orange network in the UK, the main focus of cellular network operators remains the business customer.

Indeed, the introduction of digital cellular networks such as the GSM networks which are being built across Europe and in many other countries around the world, and other new services like mobile data, promise to provide business users with a new set of telecommunications tools which can increase flexibility and improve productivity.

One advantage of these new digital mobile services is that they are easier to integrate with corporate fixed telecommunications and data processing equipment and will enable network operators and others to provide a wide range of value added customer services such as voice messaging and data transmission.

"With their intelligent network architecture and nationwide digital networks, the mobile operators will soon be able to offer all the services that a (fixed network) telephone operator can, and more," says Mr Tim Harrabin, a principal consultant at the Cambridge-based Analysys telecoms, strategy and economics consultancy, in a report published last year.

Other telecommunications strategists believe that before the end of the decade, office cordless and mobile digital technologies will be integrated in dual mode handsets capable of operating at work, while travelling and at home.

In the office itself most market research organisations predict that cordless telephony based on either of the two main digital technologies currently available, CT2 or Dect, will be gradually adopted by corporate customers over the next decade.

Frost and Sullivan, the market research firm, is predicting that sales of wireless office equipment will grow from virtually nothing last year to nearly 20 per cent of the market by the year 2000. Among the benefits claimed for cordless systems are increased efficiency, reduced outgoing call costs and savings on running costs.

Already most of the main telecommunications equipment manufacturers are either supplying or developing cordless systems which can be added onto existing PBX (Private Branch Exchange) equipment. The next step is likely to be to integrate these cordless voice systems with the emerging cordless data networks which are beginning to appear.

Outside the office the cellular telephone is already a vital business tool for a large number of mobile workers including salesmen, site engineers and others whose jobs require them to leave the fixed telecommunications services available in the office, factory or warehouse.

For some mobile workers – including those whose occupations mean they are often away from their desks or workbenches – pagers can provide a low cost and effective solution to the problem of "telephone tag". Pager networks have also proved very successful in Asian markets such as Hong Kong where they are increasingly used along-side "telepoint" public mobile cordless systems.

Pagers can provide an effective solution to the problem of "telephone tag"

However, pager networks face a growing challenge from the new digital telecommunications and from GSM in particular. Vodafone, the UK cellular network operator working with Sema Group's telecom division, was the first GSM network operators successfully to test the short message service facility included in the GSM specification. This allows an alphanumeric message of up to 160 characters – twice as long as the typical maximum length paging message – to be displayed on the handset.

The messages are sent via the short message service centre and when they arrive at the mobile they are stored in the user's SIM (smart) card ready for retrieval.

SMS's unique features include the ability to send or receive messages at the same time as speaking or sending data, an alert feature for informing a third party when a mobile re-registers on the network, the ability to store a message and forward it to the mobile when it is switched on, and acknowledgement of successful message delivery.

Mr Martin O'Byrne, managing director of Sema's telecom division, believes that SMS and other features like it will provide network operators with a way of differentiating service offerings.

Business users who want to send longer data files from their portable computers while on the move – as well as being able to use the network as a conventional voice link – will probably also turn to GSM. However those whose need is for frequent computer-to-computer communications will probably use one of the dedicated mobile data networks such as Ram Mobile Data in the UK.

These data networks provide high speed, reliable wireless mobile data connections which typically enable mobile workers such as parking wardens, meter readers and others to exchange data or E-mail with a central office network.

In the meantime, the proliferation of mobile telecommunications equipment is already causing problems in some large organisations which sometimes do not even know how many mobile telephones their employees are using and have few, if any, controls over their usage.

The problem is so pronounced that Mercury Mobile Services inthe UK offers a "consolidation" service which begins with a "consolidation audit" to discover the number and type of phones a customer has and to set up a database to monitor users and usage trends.

If required, MMS can then arrange for all the equipment to be transferred so that it is all managed by a single service provider and will then provide the customer with detailed management reports and monitor whether the mobile fleet is being used efficiently. Customers have included Digital, Shell, the AA and UPS.

According to Ms Diana Jones, who handles marketing for MMS, some customers are now asking Mercury Mobile Services to manage their entire mobile telecommunications operations – including marketing the services to internal users.

As Ovum, the market research group, noted in a recent study, "so far neither suppliers nor user organisations have paid much attention to how a large company 'as a whole' can use mobile to best advantage."

However, Ovum also noted that as the drive towards a mass market for mobile communications and fierce competition force mobile operators to lower prices, developing products and services for the corporate sector will become increasingly important to mobile operators seeking to sustain margins.

"The more experienced corporate users have identified how mobile communications can improve their efficiency – they are starting to change the way they operate in order to take advantage of mobile services," said Ovum. "Changes include cutting down on staff and accommodation – thereby allowing extra spend on mobile communications – and closer integration of mobile with private network facilities."

Most users do not see mobile communications as a cost-saving measure

One worldwide office equipment supplier interviewed for the survey "Integrating Mobility into the Corporate Network" said that by introducing voice mail for sales people they had made savings on message desk staffing.

However, Ovum noted that most users do not see the introduction of mobile communications as a cost-saving measure. But they are aware of how mobile services can benefit their business in other ways, for example by improving the productivity of mobile staff, making an organisation more responsive to customers, improving sales effectiveness and speeding up decision making.

Given that mobile communications products and services are widely regarded by telecommunications managers as too expensive, suppliers need to find ways of simulating market growth which do not focus primarily on cost reduction, says Ovum.

These include adding value to individual products and services such as data over GSM; moving new applications to mobile communications and educating corporate users about the benefits of using mobiles; and integrating services across technologies, adding value for users and providing cost control for the company.

Chris Neary, managing director of Mercury Paging, holds an Advisor pager which receives messages of up to 80 words long by satellite *Trevor Humphries*

Andrew Adonis looks at the paging market

Europe gets message

In the US and Asia-Pacific countries public radio paging, although less high profile than mobile telephony, is nonetheless a respectable and self-confident sector. In Europe, by contrast, the pager has long been the mobile communicator that dare not speak its name, with paging operators seemingly acquiescent in a course which has condemned paging to obscurity.

That appears set to change. Radical reform is sweeping through Europe's paging industry, stimulated by the success of Sweden's state telecoms operator in marketing pagers to high street consumers. Meanwhile, paging continues to race ahead in Asia, and looks set for a further spurt in the US on the back on two-way paging and other enhanced services.

The next step in what could become a transformation of Europe's paging sector comes this month with the launch by Mercury Paging, the UK's third largest operator, of a service tailored for the consumer market.

Instead of the existing paging package – unattractive to personal consumers – of monthly rental charges for restricted coverage zones, Mercury paging customers will be able to buy their pager from high street consumer electronics retailers with automatic connection and no subscription charge. Dubbed "Minicall", Mercury will gain its revenue from the new service by charging callers premium rates for leaving messages. Each Message will cost the caller about 20p, which Mercury believes is unlikely to deter would-be callers.

"Minicall" is a numeric paging service. Numeric pagers, which display the caller's number on a one-line display, are an advance on "tone" pagers, which simply bleep and flash to alert the owner. They are one step down from alphanumeric pagers, which allow callers to leave a text message on a multi-line display.

"This is a real breakthrough in the UK paging business," says Mr Chris Neary, managing director of Mercury Paging. "We have carefully studied Sweden's experience with calling-party-pays paging, and think there is a real opening for a similar offering in the UK. It is far cheaper to use than a cellular phone."

None of the other three UK paging operators offers a pure calling-party-pays service. BT, the largest operator with more than 400,000 subscribers, offers no alternative to monthly subscription charges related to zones: its tariff sheet setting out the options resembles a railway timetable, although subscribers can now buy their pager. But all three – BT, Vodapage and Hutchison Paging – are examining calling-party-pays (CPP) options, and may come up with similar services.

Mercury cites three factors which have combined to make CPP at premium rates, with no subscription charges, a commercial proposition:

- The elimination of handling costs. "Minicall" is a joint promotion with Motorola, the US telecoms equipment manufacturer, which will supply pagers directly to retailers.
- A sharp fall in the cost of pagers. Numeric pagers now cost almost as little to make as simple tone pagers: the Motorola numeric pagers will retail at between £79 and £99.
- The elimination of bureau costs, the most expensive part of a paging operators' overheads. Callers with touch-tone phones leave numeric messages by tapping in their contact phone number as requested by a voice prompt. The small minority of callers without touch-tone facility can leave their number by voice after the prompt.

Operators are going for a niche opened up by the cost of cellular telephony in a mobile-minded society

Mercury is also revamping its business service: subscribers will get a numeric pager for the existing price of a tone pager, with a monthly subscription charge of only £5.49 for national coverage. Mercury is keen to upgrade both new services to alphanumeric: the problem is the bureau costs, which are unavoidable until voice recognition technology produces a reliable service for turning voice messages into text. It is still some way off.

Motorola has a 20 per cent share in Mercury Paging, but insists that it had little bearing on Mercury's decision to launch "Minicall". Mr Greg Nelson, Motorola's European paging subscriber president, has spent the last year trumpeting the virtues of CPP to Europe's paging operators, and claims that at least 10 more European operators are planning to introduce a similar service in the next three to six months. "This idea is catching on fast: our role has simply been to get the operators to consider it seriously," he says.

According to industry sources, paging operators in Germany, Italy, the Netherlands and Denmark will be among the next to launch CPP services. Some will be collaborating with Motorola, some with two or three partners, but the product will be broadly similar. All the operators are going for the market niche opened up by the continuing high cost of cellular telephony in an increasingly mobile-minded society – particularly among the young.

The CPP model is Sweden, whose state operator, Telia, launched a successful service last year despite Sweden's high level (10 per cent) of cellular phone penetration. "The crucial thing was to study the telephone market, not existing mobile markets,' says Mr Jan Holmgren, an ex-Motorola executive who moved to Telia to build up its paging division. Telia research showed a potential paging market of 1.9m out of Sweden's 8.5m population.

More than 100,000 pagers have been sold through retail outlets since the launch of the service. They retail for as little as SKr1,000 (£87), with no connection fee. Between 9am and 4pm the calling charge is SKr6 (about 50p) and at other times and all day at weekends, it is SKr1.5 – a huge price differential with mobile phones. The new regime has had almost as great an impact on the business market as on the consumer market. Telia's traditional subscriber network has grown from about 70,000 to well over 100,000 since the CPP launch.

Western Europe currently has about 3.2m paging subscribers. If CPP takes off, current projections of growth to about 5m over the next decade (from CIT Research, a London-based consultancy) could prove pessimistic. However, Europe will still lag far behind the US, which today has about 21m paging subscribers, and the Asia-Pacific region with 19m. Singapore alone has more than 600,000 paging subscribers, Hong Kong 1m, Taiwan 1.4m and Japan 7.7m. CIT projects that paging numbers in Asia will more than double over the next decade.

Two-way paging is set to be the next innovation in the US. The auction last month by the Federal Communications Commission of eight blocks of radio frequency for narrowband Personal Communications Services will allow two-way paging for the first time.

Five companies are likely to compete in the two-way market, with services such as "acknowledgement" paging, allowing the recipient of a message to choose one of a number of set return messages. Other enhanced services in the pipeline include a voice-based service allowing subscribers to play back voice messages stored on a device no larger than an existing pager – "an answering machine in your pocket."

Paul Taylor looks at the spread of GSM networks – in Europe and elsewhere

Technology for the next generation

Over the past two years the European-developed GSM (global system for mobile communications) digital cellular standard has won widespread acceptance around the world as the technology of choice for the next generation of cellular telephone networks.

Although North America led the first mobile telecommunications revolution in the early 1980s, it is Europe that has taken the lead in the move towards digital systems with the GSM standard. "The big impact of GSM is that it is a single standard," says Mr Dean Eyers, an industry analyst with Dataquest's European telecommunications group, "and this means enormous economies of scale for equipment manufacturers."

The big European equipment suppliers, have also benefited from disarray in the US where the telecommunications industry is still divided in its support for two different digital technologies – digital Amps based on time division multiple access (TDMA) or the newly-developed code division multiple access (CDMA) technology.

GSM networks are in operation, under construction or planned across Europe, the Middle East, Africa and the Asia/Pacific region, having brushed aside the challenge from rival digital standards. Only in the Americas and Japan have alternative standards been adopted.

By the end of July, the number of GSM subscribers worldwide totalled more than 3m and is expected to top 4m by the year-end. These customers are in 59 countries with a combined population of more than 2bn and the customer base is growing by more than 70 per cent a year.

By 1999 EMCI, the Washington-based market research firm, predicts there will be 45.9m digital cellular subscribers worldwide, with GSM subscribers representing almost 60 per cent of the total.

"The GSM standard is now accepted worldwide as the basis for new digital mobile communications and networks," Mr Bruno Massiet du Biest, the current chairman of the GSM Memorandum of Understanding (MoU) group, said recently.

The first GSM networks were launched in Germany, France and Denmark in mid-1992, and similar services are now being rolled out across Europe. Last year the number of GSM subscribers in Europe jumped from 184,000 to 1.32m , according to figures from Mobile Communications, the Financial Times newsletter.

New GSM subscribers represented over 40 per cent of total western European subscriber growth and Dataquest is forecasting that the number of GSM subscribers in Europe will grow to 8.31m by the end of 1996. However, the bare figures hide substantial variations in GSM uptake in individual markets. Almost all of the growth in 1993 – and much of the growth this year – was attributable to the German market which accounted for 74 per cent of all European GSM subscriber growth in 1993.

In Germany and other markets where analogue network capacity was restricted, or had not been developed, GSM subscriber growth has been spectacular over the past two years. As a result, the two GSM networks, Deutsche Telekom Mobil's D1 network and Mannesmann Mobilfunk's D2 network, now both have more than 700,000 subscribers each.

GSM subscriber growth has been spurred by competition. Two or more GSM network operators have been licensed in all European countries except Ireland which bowed to Commission pressure and requested bids for a second GSM operator in July. Aggressive marketing which has resulted in the elimination of the price premium on GSM equipment, has also helped. In both Germany and Denmark, another fast-growing GSM market with over 200,000 subscribers to its two GSM networks, Motorola handsets have fallen to under £100 in some promotion packages.

Last year subscribers went up from 184,000 to 1.32m. By the end of 1996 there could be 8.31m

But in those countries such as the UK which had well-established analogue systems which were not capacity constrained, the pace of transition from analogue to digital cellular systems has been much slower. Ms Diana Jones, in charge of marketing for Mercury Mobile Services, says there is still relatively little interest in Britain where GSM handsets are still £100 more than their analogue counterparts. "Most business users do not at this stage feel the need to move over to GSM," she says.

Vodafone, which offers two GSM tariffs in the UK, has about 45,000 subscribers to its GSM network while its rival Cellnet only officially opened its GSM digital cellular network in mid-July. Like Vodafone, Cellnet is mainly targeting the business user. The main selling point will be the ability to use a GSM handset anywhere in Europe – Cellnet has negotiated "roaming agreements" with 22 foreign operators.

GSM networks are under construction in eastern Europe, including Russia where the Russian Telecommunications Development Corporation (RTDC) holds 14 GSM licences. Asia, already the fastest growing cellular market in the world, has become the biggest market for GSM.

Japan and South Korea, which are developing their own digital standards, are the only two big Asian countries that have not adopted GSM. At the end of last year there were 19 licensed GSM operators in 10 countries throughout Asia, and potentially, 28 operators in 17 countries.

Among them, Hong Kong has emerged as one of the most rapidly growing GSM digital cellular markets in the world. The colony's two GSM networks, Hong Kong Telecom and SmarTone, have been averaging more than 10,000 connections a month between them, and the total number of GSM subscribers is now over the 100,000 level.

Elsewhere in Asia, GSM networks are in operation in Singapore, China and Malaysia, and are planned in Indonesia, the Philippines, Cambodia, Vietnam, Taiwan and India where eight city-based GSM digital cellular licences have been awarded.

China recently placed two further contracts for GSM digital cellular systems. Nokia will supply a system for the country's capital, Beijing, while Ericsson of Sweden has won its second Chinese GSM contract for delivery of a system to Shantou in Guangdong province.

GSM is seen to have two key advantages over the rival US digital Amps system in Asia. First, GSM frequencies are already available, while digital Amps frequencies may be already occupied. Second, GSM's roaming capability is giving it the edge over rival standards. However, the thorny issue of encryption poses a potential threat to GSM sales in Asia and elsewhere outside western Europe.

GSM equipment uses an encryption device based on an algorithm called A5(1). However export rules normally prevent non-European operators from buying equipment that incorporates the A5(1) encryption system because of concerns that it could be used for military purposes. Instead, prospective GSM network operators outside Europe are being offered equipment with the newly-developed A5(2) encryption system.

Taiwan has already complained about the restrictions which are seen as a trade barrier and has accused European export authorities of undue discrimination. This is causing concern at the GSM MoU Group which is seeking to promote the adoption of GSM worldwide.

Although GSM has been an outstanding success, US and Japanese equipment manufacturers continue to lobby operators worldwide to adopt their rival digital standards. The MoU Group fears that non-European operators might feel that they are being asked to accept an inferior GSM technology and therefore turn to another system.

Much is at stake. Frost and Sullivan, the market research group, estimates that the GSM cellular equipment market will peak next year at $1.6bn and then decline slowly as volumes and prices fall.

Market penetration is still some way off, writes **Andrew Adonis**

Mobile phones meet a consumer barrier

It is a cellular industry platitude that the consumer market is about to dawn. New connections are booming; in several western countries – including the UK, Italy and Scandinavia – the number of new cellular connections is already outstripping fixed-line connections.

The latest figures from the FT's mobile communications newsletter show that more than 12 per cent of Swedes now have a cellular phone. Finland, Norway and Denmark are not far behind. The rest of Europe lags, but subscriber growth across western Europe was 60 per cent in the year to August 1, with the penetration rate across the region now up at three per 100.

Cellular telephony is also booming in the US and Asia-Pacific. One in three people in Hong Kong have access to some form of mobile communicator, with cellular phone penetration running at more than five in 100.

Add to that projections of global growth continuing at 50 to 60 per cent a year, and the clear beginnings of marketing targeted at mainstream consumers, not just "city slickers", and the mobile age seems simply a matter of waiting and ensuring sufficient capacity. After all, who would not want a mobile phone at the right price?

In reality, of course, it is not going to be that simple. A look at the UK, which with 4.6 cellular subscribers per 100 people is at the leading edge of the developed world's mainstream cellular industry, gives a fair picture of the market in transition.

From the figures, growth appears unbounded. It took the UK's cellular operators eight years from their launch in 1985 to attract their first 1.4m customers. The number of subscribers has almost doubled since the start of 1993, with the increase running at more than 50 per cent a year.

Recent advertising campaigns by mobile operators have been pitched at mainstream consumers, and one of the four networks – Mercury One-2-One – claims to be in direct competition with BT by offering free local mobile phone calls on its networks in the evenings and at weekends. Analysts expected that the mobile phone tide would ebb after Christmas, but apart from January, and a customary lull in the depth of the summer, demand has remained strong.

It would be misleading, however, to believe that the mass market has dawned. Visit a mobile phone shop, or talk to a dealer, and it becomes evident that the mobile phone is not advancing into the consumer market as a whole, but rather penetrating deep into discrete sections.

The most obvious is the high-earning professionals. Much of the current boom is caused by the fact that large numbers in this group are buying phones for their personal use, or for their spouses to use.

Operators admit handset prices have to fall by half before the "bulk" of the consumer market can be attracted

Two other discrete growth segments are the self-employed blue-collar workers and vulnerable social groups – in both cases mostly equipped with cellular phones at the behest of employers or agencies.

A survey late last year by Joyce Wood, a visiting fellow at Sussex University, highlighted this trend, citing utilities which now equip their repair staff with mobiles and police forces providing them for women at risk.

"The stereotype is being turned upside down. And though the number of 'non-professional' users is still small, the fact that mobile phones are being seen in the hands of ordinary people is vital to creating a mass market," says Ms Wood. However, the key words are "upside down": there is still not much of a market *between* the better-off professionals and their families, and the blue-collar workers who need the phone as part of the job.

The operators are aware of this. Mr Richard Goswell, managing director of Mercury One-2-One, frankly admits that PCN handset prices have still to come down by at least half – the cheapest currently retail for £199 – before the "bulk" of the consumer market can be attracted.

Still more starkly, he says that usage tariffs "will have to migrate a great deal further towards BT's tariffs" before the goal can be achieved. With call tariffs anything up to 50p a minute on low-usage schemes designed to attract the consumer, that suggests a long trek ahead.

Ironically, One-2-One makes the consumer barrier more obvious, despite its free evening local calls, because of the high handset prices. By contrast, established analogue operators Cellnet and Vodafone have experienced serious problems with "churn" – the number of subscribers leaving the network as a proportion of all subscribers – in part because of the cheap high street handset deals now available.

Mr Hans Snook, managing director of Orange, believes churn could before long turn into an "industry crisis", although like all operators he is careful to exclude his own network from the crisis.

According to BIS Strategic Decisions, an information technology consultancy, churn is now running at an annual rate equal to about 30 per cent of the number of mobile subscribers. BIS estimates that about half of all churn is caused by people moving between mobile phone companies or between different calling plans offered by the same operator. However, that still leaves half due to a combination of fraud and the inability of customers to keep up with their bills.

Ms Gail Kirby, a BIS analyst, says: "Churn is a serious problem, and it's getting more serious for the network operators as the number of subscribers rises so dramatically. The numbers churning are equal to the entire cellular population of a few years ago."

The three months to the end of June saw the churn rate rise for the fourth successive quarter. Vodafone, the largest cellular operator, was worst hit, with a disconnection rate equal to 34 per cent of its subscribers over a full year. Mr Terry Barwick, Vodafone's corporate affairs director, says: "We have had problems with fraud, and are tightening our credit-checking system to reduce it."

He said some of the fraud appeared to be organised systematically, with some dealers stealing bonuses paid for new subscribers by means of fake subscriber names and personal details. But he conceded that "part at least" of the churn was probably caused by customers unable to keep up with their bills.

As one dealer puts it, neatly summing up what could become a serious industry predicament: "Many people who buy mobile phones *don't have a clue how* much it actually costs to keep a mobile phone going – particularly if you use it."

Andrew Adonis looks at trends and new entrants to the UK cellular market

The hothouse of competition

The UK is Europe's foremost laboratory for testing the impact of competition on telecommunications. Everyone knows that the privatisation of British Telecommunications a decade ago went hand-in-hand with the licensing of a competitor, Mercury Communications. And most of Britain's urban dwellers, whose streets are being dug up by cable companies constructing combined cable TV and telephone networks, are alive to the presence of more competitors. As other west European countries, with a few exceptions still state monopolies, struggle to privatise and liberalise, it is to Britain that they look for inspiration.

Less celebrated, but equally developed, is competition in the UK's cellular industry. When cellular telephony started seriously in the mid-1980s, most European governments simply extended the existing monopoly in the provision of telecoms services to the cellular sector. Not the UK, which at the outset licensed two cellular operators, and allowed BT to take only a 60 per cent stake in one of them.

Since then, competition has been the hallmark of UK government policy for mobile communications. At every opportunity it has offered competing licences. The policy has not invariably succeeded: initial failures among Personal Communications Networks (PCN) operators might be entered on the debit side. But most analysts agree that the UK's cellular strategy has been more effective than monopoly at stimulating subscriber growth and effective price competition.

The case is not beyond dispute. Scandinavia has achieved cellular penetration rates more than twice as high as the UK's, yet cellular competition is still in its infancy across the region. Cultural and business factors may explain the divergence: *all* forms of telecoms are more heavily employed in Scandinavia than across the rest of Europe, and the region's operators have long been conditioned to behave in an entrepreneurial fashion.

At any rate, the whole of western Europe – including Scandinavia – is proceeding fast down the UK road. Almost every EU state has now licensed competing GSM operators. The larger countries have either licensed a PCN operator or are about to do so.

The UK has four operators: Vodafone, launched as a subsidiary of Racal Electronics but demerged as a free-standing company in 1991; Cellnet, a joint venture between BT and Securicor; Mercury One-2-One, a joint venture between Mercury, BT's main fixed-line competitor, and US West, a US regional Bell operator; and Orange, in which the largest shareholder is Hutchison Whampoa, the Hong Kong conglomerate.

Vodafone and Cellnet, the original competitors, both have analogue and GSM networks, the latter compatible with overseas built to the same standard. Most of their 2.5m subscribers are signed up to analogue networks: analogue handset prices are cheaper than GSM, and service quality is better. However, tariffs are comparable: as GSM service improves, the greater functionality of GSM handsets becomes apparent, and the virtues of overseas "roaming" come to be appreciated, GSM will catch on. Mr Gerry Whent, Vodafone's chief executive, predicts that Vodafone will be attracting GSM subscribers at the same rate as analogue by the end of the year.

Mercury One-2-One and Orange, the new operators, have launched PCN networks in the last year. Both lack national coverage: One-2-One is currently limited to London and the south-east, Orange to main population centres and travel routes. However, both are building out fast, and so rapid is subscriber growth in the industry that last year's warnings that four networks were at least one too many have proved misplaced so far.

Mobile phones are enjoying such a boom in the UK that new cellular phone connections are racing ahead of links to traditional fixed phone networks. Net new connections to mobile networks overtook fixed network connections to BT and the cable TV companies last December, on a surge of pre-Christmas mobile phone buying. Analysts expected the mobile phone tide would ebb after Christmas, but cellular has stayed ahead every month this year except January.

The larger operators have proved adept at expanding the market without imperilling their margins. Vodafone, the most adept of all, believes it can sustain last year's revenue per subscriber figure of £665, despite pressure on prices. "There is plenty of room for four of us," says Mr Whent. "We trade on our quality, national coverage, and the potential of GSM."

To gain market share, the new entrants have adopted strategies aimed at expanding the market. Both launched with an advertising blitz – which, predictably, did as much or more to boost their larger rivals as themselves. They have also sought to expand the market through careful positioning.

One-2-One has been the bolder by far, with its residential offering of free local calls in the evenings and at weekends. Orange's strategy has been more subtle, linking its tariffs to blocks of "free" calling time, geared particularly to more heavy-usage business customers. Both operators have introduced serious price competition into the industry for the first time.

Net new UK phone connections

Month	Fixed networks (000)	Cellular networks (000)
Jan 1993	65	33
Feb	68	33
Mar	72	33
Apr	52	37
May	49	37
June	51	37
July	57	36
Aug	59	36
Sept	54	47
Oct	67	67
Nov	67	78
Dec	62	126
Jan 1994	72	62
Feb	69	80
Mar	73	124
Apr	104	107
May	100	113
June	100	113

Source: Industry estimates

Branding is also becoming important, as independent service providers decline and operators seek to carve out a distinct identity based on price and network functionality. "Nobody has yet invented a brand in this business," claims Mr Hans Snook, Orange's managing director. "We intend to do so by marketing our brand benefits – lower prices, and the services available on our handsets such as multiple lines."

All four operators are anxiously positioning themselves for the rise of the mass consumer market. The dread is a repeat of the 1980s experience of the consumer electronics industry, where margins collapsed and price wars reigned supreme. Vodafone and Cellnet insist they will not be dragged down that road, and so far they have managed the market successfully. But with two competitors who both need large volumes, fast, to repay their investments, the future is anything but predictable.

Paul Taylor looks at the mobile data market

Customers are confused

The mobile data market has failed to live up to early expectations. Set against the growth of cellular radio voice communications in particular, customer demand for mobile data has been distinctly disappointing.

As a result, most market analysts have downgraded their predictions for mobile data market growth in the 1990s while network operators and others have reassessed their investment strategies.

In the UK, for example, Hutchison Mobile Data ceased marketing its fledgling dedicated mobile data service last autumn and will now offer mobile data services on its recently launched Orange digital Personal Communications Network (PCN) later this year.

"There has been a lot of 'hype' and industry push over the years," says Mr Dean Eyers, a senior industry analyst with Dataquest who has just completed a report entitled "Mobile Data Communications in Europe – The Potential for a Horizontal Market".

Another market research organisation, Ovum, conceded in a report on mobile data published last year that, "despite services being available on cellular and public data-only networks, the market has been slow to develop".

Ovum noted that despite the acknowledged benefits of mobile data, "data-only networks are facing an uphill struggle to attract subscribers and the number of data users on the cellular network is in the region of 2-5 per cent of the user base." By the end of 1993 Ovum estimated that there were just 325,000 users of mobile data in North America and Europe.

In the UK the three dedicated mobile data networks have a total of about 5,500 customers. There are, however, indications that subscriber interest is growing. In the first six months of the year subscribers to Ram Mobile Data's network more than tripled.

Meanwhile, about 15 per cent of the 45,000 subscribers to National Band Three's two-way public access mobile radio communications network in the UK now use the service to transmit data.

Mobile data customers fall into two main categories according to Ovum – vertical markets, particularly the service industries, and early horizontal markets involving industries with a significant service element in some aspect of their business.

Typically, these mobile data customers use data services to transfer engineering, customer or product information to and from portable computers, or to retrieve information from mobile data terminals used by a mobile workforce such as meter readers.

But the Ovum report suggested that the market for mobile data had been constrained by customer concern over competition between mobile data services and over the availability of networks, the price of equipment and excessively complex and expensive applications, lack of market understanding and the belief that perceived risks outweigh cost benefits.

Customer confusion is understandable. In the UK for example, excluding pager traffic, mobile data services are provided by both analogue and digital cellular telephone network operators, dedicated mobile data network operators and private and public access mobile radio networks – all using incompatible standards and equipment.

It is possible to transmit data over an analogue cellular telephone networks, but this is generally more difficult and considerably slower than transmitting data over the fixed public switched telephone network. As a result, relatively few business customers use cellular telephone systems to transmit data.

Data transmission over the new generation of digital cellular telephone systems, such as the GSM and PCN services in Europe should be much simpler, faster and more reliable. The GSM specification includes a facility which, once implemented, will allow any terminal – such as a portable facsimile machine or a notebook computer – to be plugged directly into the handset.

In the US, analogue network operators led by AT&T's recently acquired subsidiary, Macaw Cellular Communications, are upgrading their networks to accommodate a new "open" technology called cellular digital packet-switched data (CDPD) which enables data to be sent in blocks over existing networks using the "spaces" between voice traffic. Because it provides digital transmission without the need for expanded system capacity, it is a cost-effective option.

Public access mobile radio services such as NB3, owned by Geotek of the US, provide another alternative for customers who require both mobile voice and data communications. NB3 customers buy their own communications equipment and then pay a fixed monthly subscription. They do not pay call charges.

However Mr Andrew Robb, managing director of NB3, acknowledges that for high volume data customers who do not require voice communications, the high speed and low cost wireless data links provided by dedicated packet-switched data networks make more sense.

> "We are starting to see an industry with mass market characteristics in terms of size and potential"

In the US the Ardis network, which uses Motorola's DataTac technology, covers the 400 largest metropolitan areas and has around 35,000 subscribers, while Ram Broadcasting's network uses Ericsson's rival Mobitex technology. Similar packet-switched data networks, mostly based on Mobitex, have been built or are planned throughout Europe.

In the UK three mobile data networks survive: Cognito, Vodafone's Paknet and Ram Mobile Data – a joint venture involving US-based Ram Broadcasting and BellSouth, France Telcom, Swedish Telcom and Bouygues.

Elsewhere in Europe their are Mobitex-based networks built or under construction in France, Sweden (where there are two), Finland, Norway, the Netherlands, Germany and Belgium which will eventually be linked through roaming agreements to provide a pan-European network. There are only two DataTac networks in Europe, one operated by Deutsche Telekom in Germany and the other Hutchison's mothballed systems in the UK.

Although subscriber growth has been slow, Mr John Jarvis, Ram Mobile Data's chief executive, says: "We are starting to see an industry with mass market characteristics in terms of size and potential." Ram's customer list includes local authorities whose parking wardens use handheld computers, field service engineers working for Coca-Cola's service company and emergency services in Cleveland and Manchester.

BIS Strategic Decisions recently estimated that the European market for mobile data will grow 15-fold into a $1.5bn business by 1998. Meanwhile Dataquest's Mr Eyers believes the emerging mobile data market will split into three main segments which he has dubbed "data heavy", "data lite" and "consumer users" and predicts that the overall market in Europe will exceed 5m subscribers by the end of the decade.

Dataquest expects data heavy users – frequent mobile data service users such as traffic wardens, meter readers and organisations which use the services every day – will gravitate towards dedicated mobile data networks such as Ram.

Data lite users – infrequent mobile data users, such as travelling salesmen or executives who want to read their electronic mail or access an office database – are expected to turn to GSM and other networks which also provide voice services. However, Dataquest does not expect the consumer market for mobile data to develop on a large scale until "towards the back end of this decade".

The Dataquest report concludes: "While paging, public mobile radio and analogue cellular have all paid lip service to supporting mobile data communications, strong candidates to support a significant market are only now emerging in the form of packet mobile radio and digital cellular technologies. Further support from manufacturers and operators for new services and applications are required and expected."

Corporate users had "a positive attitude towards mobile data communications but will need to be sold on the value which such solutions can provide if this sector is to reach its potential."

Paul Taylor on cordless prospects

Battle on standards

The launch of telepoint services in Britain in the late 1980s was, by general agreement, little short of a debacle which culminated in Hutchison Telecom's decision to pull the plug on its Rabbit cordless public telephone service last November.

Rabbit was the last of four telepoint services in the UK to fold because of lack of customer interest but, in spite of this inauspicious start, telepoint, the UK-developed public cordless telephone service, is proving a success in some overseas markets including south-east Asia, where there are more than 300,000 subscribers.

Unfortunately, the UK systems were incompatible with each other, overpriced and poorly marketed in competition with cellular services.

Elsewhere in Europe, Deutsche Telekom abandoned plans two years ago for a telepoint service and Telecom Finland recently announced it would close its Pointer telepoint service because of the low level of take-up of the service.

This leaves France and the Netherlands as the only European countries still offering telepoint services. There are over 50,000 subscribers to France Telecom's Bi-Bop service, which recently cut its prices, and 35,000 subscribers to the Dutch Greenpoint service but the prospects for telepoint elsewhere in Europe look bleak.

In contrast in Hong Kong, three operators Hutchison, Chevalier Telepoint and Pacific Telelink, which is backed by Vodafone, the UK cellular telephone network operator, have all launched successful services and now have more than 170,000 subscribers between them out of a population of 3m.

Their success has been ascribed to the density of the population and the relatively few base stations required to provide coverage in the colony. All three telepoint operators in Hong Kong have overcome one of telepoint's main limitations – its one-way only operation by basing services on telephone and pager packages facilitating pseudo two-way operation. Calls to a telepoint telephone activate a pager and if subscribers are in range of a base station they can connect with the caller by pressing one button on the phone.

In order to further increase competition in Hong Kong, the government said in July it would award four additional telepoint licences to build networks based on the Japanese personal handyphone standard. DDI, one of Japan's three domestic telephone companies, announced plans in July to invest £2bn on a telepoint network covering about half the Japanese population.

Telepoint has also proved popular elsewhere in Asia. Services have been launched in half a dozen countries, including Singapore, Malaysia and Thailand. However China, where the first telepoint services were recently launched, represents by far the largest potential market for CT2 equipment suppliers.

Meanwhile, the technology behind telepoint has found other applications – by the end of the decade market analysts predict that up to a fifth of new office telecommunications equipment installed will be cordless.

"Wireless office equipment will grow from virtually nothing in 1993 to nearly 20 of the market by the year 2000 while wireline-based PBXs (private branch exchanges) and key systems dip correspondingly," said Frost & Sullivan, the US-based market research firm in a recent report.

The uptake of cordless business communications systems is expected to be driven by falling hardware prices and the perceived benefits of the technology in terms of mobility, flexibility and productivity. The Frost & Sullivan report predicted: "The wireless office will gain popularity as the prices of systems decline. Prime target end-users include salespeople, top management, employees in distribution and manufacturing firms and healthcare personnel.

"The popularity of cellular phones and the emergence of personal communications systems will stimulate use of wireless handsets for in-building use as users increasingly seek the same convenience they are used to outside the office inside buildings."

> Cordless systems may cut customers' bills by up to 30 per cent by reducing the need for returned calls

Ericsson, the European telecommunications equipment manufacturer, claims that cordless business systems can save customers up to 30 per cent of their bills as a result of reducing the need for returned calls. Cordless systems can also save on the costs of rewiring and other configuration operations, which can be around 10 per cent of the capital cost of the system for organisations running medium-sized or large PBX systems.

In addition, as Multitone, the UK-based pager and cordless telephone system supplier, points out, cordless systems are extremely cost-effective to run once installed since there are no airtime charges, internal calls are free and external calls cost the same as from an ordinary desk telephone.

Like most other cordless systems, Multitone's CS500 product connects directly to a PBX, so no expensive changes are required to an existing hard-wired system and the same desk telephones and extension numbers can continue to be used.

However, if cordless business systems are to flourish, there are several obstacles to overcome. In particular, in Europe there are two rival cordless business system technology standards: CT2, which has been adopted as an interim European standard and the more recent Dect (Digital European Cordless telecommunications) standard.

GPT Communications Systems, a joint venture between Germany's Siemens group and Britain's GEC, and Canada's Northern Telecom have been supplying cordless office systems based upon CT2 digital technology since early last year. Northern Telecom, which is also developing a Dect system for up to 1,000 users in conjunction with Olivetti, launched its Companion CT2 cordless business systems in Europe last March and has sold over 1,000 systems in Europe and the Middle East since then and over 2,000 systems worldwide.

CT2's supporters claim it is a proven and cost-effective technology ideally suited to small and medium-sized offices. CT2 handsets cost around a third of the price of their Dect rivals and are likely to retain a price advantage because of the adoption of telepoint outside Europe.

However CT2 cordless business systems face a serious challenge from systems based on the Dect standard which is backed by ETSI (the European Telecoms Standards Institute) and was designed to solve the problem of providing cordless telecommunications in high-density business environments such as offices.

Five of Europe's largest telecommunications equipment suppliers – Alcatel, Ericsson, Nokia, Philips and Siemens – which between them represent nearly 70 per cent of the European PBX adopted the Dect standard in March 1993 and the first Dect systems began to appear shortly afterwards.

Dect's supporters claim their systems have key advantages over those based on CT2, particularly in large office buildings where traffic is high, or for mixed voice and high speed data – and they are trying to block moves which would upgrade CT2 from an interim to a full European standard.

Ultimately, however, it will be the end users who decide which of these two cordless digital technologies succeeds. The battle between them has only just begun.

Joia Shillingford looks at trends in mobile handsets

Perfection may be within reach

So small and perfectly formed are today's mobile phone handsets that many question whether they will get much smaller. In fact, the perfect mobile phone handset – small, light and cheap – may not be far away.

Ms Diana Jones, marketing manager of service provider Mercury Communications Mobile Services, says: "I don't believe handsets will get much smaller than the smallest models produced by Sony and Ericsson because of the mouth-to-ear ratio." She believes that "handsets could even move in the other direction like calculators. Calculators got smaller and smaller, but then people found them fiddly to use. And larger calculators with easy-to-press buttons started to be sold as well."

So on traditional analogue networks (like those operated by Vodafone and Cellnet), she expects most business people to stay with middle-sized phones about the size and design of NEC's P4.

However, there is still scope for phones designed for the newer digital services to get smaller and lighter. Mr Byan Van Dussen, a senior analyst at Yankee Group Europe, says: "Improvements in battery technology are the key for weight to reduce, profiles to become slimmer and talk time to increase."

Restricted battery life is a problem for both analogue and digital phones. The current generation of batteries typically give two hours of continuous talk time and lasts 22 hours if left on and not used. This means that heavy mobile phone users often have to carry spare batteries and charge them up at night. The problem is worse with GSM, which can drain battery life more quickly.

But battery technology is changing. Nicad batteries have been replaced by Nickel metal hydride on the latest phones – some give a choice of Nicad or Nickel metal hydride. The next step will be metal ion batteries. Phones using metal ion could be more expensive initially but will have more power.

Improvements in battery technology are likely to benefit service providers and manufacturers. Airtime distributors such as Securicor Cellular Services and Mercury Mobile Services should gain if users can spend more time talking on the phone.

> It is possible to buy a GSM phone in one country for use in another, where it may be dearer

Manufacturers should benefit because, as the weight and profile of handsets falls, they will become more pocketable and therefore more appealing to the mass market.

Price is also critical. Mr Terry Barwick, director of corporate affairs for Vodafone, says: "Customers always ask three questions: How much will the equipment cost? How much is the monthly charge? and How much are the calls? The lower the cost of entry, the faster the market will grow."

At present, analogue phones can cost as little as £49 and are sometimes given away free. Those aimed at business users will usually cost £99 to £299.

GSM phones cost about £100 more for the same type of handset, and range from £200 to £500. They are more expensive than their analogue counterparts because they are not yet sold in the same volumes. But because the GSM standard has been adopted across Europe, manufacturers will be able to make large quantities and lower prices.

This has not yet happened and in fact component shortages have restricted the supply of GSM phones. However, because any GSM phone should work with any GSM network, it is possible to buy a phone in one country for use in another, where it may be dearer. It pays to shop around. But before long, prices for GSM phones should fall to the same level as more expensive analogue phones. Ms Sandra Richards, cellular phones marketing manager at NEC of Japan's UK subsidiary, expects this to happen by the end of the year.

Call charges and monthly charges for UK analogue business services have fallen in real terms, according to Mr Barwick. He says the monthly charge has stayed at around £25 and peak call charges at 25p a minute since 1985. Charges for GSM services offered by Vodafone and Cellnet are similar (though their GSM services are completely separate from their analogue services and require different handsets).

Though service providers and network operators argue otherwise, there will be continued pressure on charges with the entry into the market of Hutchison's Orange and Mercury's One-2-One services – both based on PCN digital technology – a variant of GSM.

But there are still areas where charges will be high for some time. One of these is pan-European roaming, which allows a GSM user in one country to send and receive calls in other countries with GSM networks. Roaming works through reciprocal agreements, with each operator adding a premium.

Handset manufacturers will be able to charge more for handsets that do more than just connect to GSM. For example, Nokia of Finland sells a phone that can be integrated easily into mobile data applications – such as sending and receiving text on the move.

In the longer term, dual handsets may start to appear, which can connect to more than one network. The drive for these is mainly coming from the US, where there is more than one digital standard. But in Europe, dual handsets could be used to connect to both GSM and Dect – a European standard starting to be used to provide wireless office switchboards.

The idea is that when customers phone a business, they could be put through to the person they want (without redialing) whether that person is in the office or on the move. Mr Van Dussen believes that in three or four years' time, this area could be "a terrific bonanza" for the few leading handset manufacturers who are looking into it.

This is because though dual-purpose phones may be small and light, they are unlikely to be cheap.

Joia Shillingford is associate editor of Business Computing Brief, a Financial Times newsletter.

Profile: ERICSSON

A force to be reckoned with

Ericsson, the Swedish telecommunications equipment supplier, is without question the dominant force in the international cellular infrastructure market. It has a significant foothold in every major market, and its sights are firmly focused on new opportunities – notably new digital systems, mobile data and fixed cellular systems.

Ericsson owes its success to the classic Machiavellian combination of fortune and exertion. The company's cellular division grew out of SRA, a well-established military radio joint venture between Ericsson and Marconi. Marconi chose to sell its 30 per cent stake in 1981, the year SRA entered the cellular mobile market; whereupon the venture became an integral part of Ericsson.

The radio division's rapid expansion thereafter owed much to Ericsson's existing marketing and distribution networks worldwide. It built on the success of its public telecommunications products – notably the AXE switch, which is now installed in 105 countries.

Furthermore, Scandinavia has been the world's most dynamic cellular market since the launch of the mobile phone. Sweden tops even the Nordic league with 10 mobile phones per 100 inhabitants. Cultural factors are partly responsible; but early agreement on a common Nordic cellular standard – NMT – provided a significant boost, as did the mid-1980s decision to liberalise the supply of cellular handsets, a step taken in Japan as recently as this year. The extent to which Ericsson acted as a catalyst for these developments is debatable, but the benefit it has derived from them is unmistakable.

The bald figures tell all. In revenue, Ericsson's radio communications division last year overtook public telecommunications as the company's largest division, accounting for 41 per cent of sales. The division's sales amounted to \$3.1bn – a 73 per cent increase on 1992. The first half of this year saw a still more dramatic surge of 78 per cent in pretax profits, powered by a 60 per cent rise in radio communications sales. Sales of mobile telephone systems and terminals were up 80 per cent.

"Everyone in the mobile industry has been successful with the massive cellular growth of recent years," says Mr Kurt Hellstrom, president of Ericsson radio systems, with a modesty befitting the division's plain and functional headquarters at Kista, a northern suburb of Stockholm. Nonetheless, he is quick to identify the "strong suits" which have made Ericsson outstanding. "We realised early on the potential for cellular mobile technology, and we were fortunate in having strong in-house divisions in all the main areas needed to develop a portfolio."

Ericsson's radio division has never rested on its inherited laurels: it has been quick to exploit new market opportunities and has not stinted on the large R&D outlays critical to innovation in the sector. R&D spending in the radio division is running at about 20 per cent of sales. Ericsson is the only supplier to have developed widely-used digital systems based on the world's three standard digital systems – GSM (in Europe and beyond), D-Amps (in the US), and PDC (in Japan). In January, more than half of the world's 1.3m GSM subscribers were linked to Ericsson systems.

Last year, it responded to the acute shortage of digital GSM handsets by rapidly increasing its own supply – output rose by 150 per cent last year – although it had previously treated the handset business as marginal. Motorola of the US remains the largest handset manufacturer, but Ericsson claims now to be the world's leading supplier of digital pocket telephones.

Ericsson is the international company *par excellence*: its Swedish sales amount to only about 10 per cent of the total. It is important, however, to get behind the slogan and to understand the meaning of "international" in the Ericsson context.

Although the radio division has indigenous marketing, R&D and technical support staff in all its principal markets, Ericsson's senior management is almost exclusively Swedish and most of its manufacturing is carried out in Sweden. Some companies go international by recruiting foreigners, others by inducing an international mind-set into home-grown managers. Ericsson, like most of Swedish industry, is emphatically in the second camp, and has long fostered close links with all the country's technical universities.

Ericsson has derived unmistakable benefit from its Swedish base *Tony Andrews*

About two-thirds of the radio division's blue-collar workforce is located in Sweden, mainly at plants at Kumla, west of Stockholm (for handsets) and Gavle, 160km north of Stockholm (for infrastructure). Another plant in Visby, on the Swedish island of Gotland, is being expanded for infrastructure. The only large plants abroad are at Lynchburg, Virginia, which manufactures equipment for the AMPS system, and is the main centre for land mobile radio, and at Nanjing and Guangzhou in China, where local content is in effect a condition of entry.

Increased production is unlikely to lead to a significant increase either in blue-collar staff or in plants abroad. Five years ago it took three hours to assemble a cellular handset; now it takes about 15 minutes. It is the same story with radio base stations.

As for overseas production, Ericsson recently designed, built and installed a cellular network for the Digital Phone Group, a new competitor to NTT in Japan, in 18 months from the placing of the order. It was a record, and the entire production took place in Sweden. "It is speed of production most customers want, not local content," says Mr Bjorn Bostrom, production director. "The closeness between design and production is the key. Today, when you design a product, it has to be manufactured instantly and in high volumes: production lines are becoming more complex, so the need to have your development and production staff in close contact is increasing." More than a quarter of Ericsson Radio's Swedish workforce have degrees, many of them higher degrees.

More important than production abroad is the dedicated teams working with customers to design and install their networks. "This raises tricky questions of confidentiality and intellectual property," says Mr Hellstrom. "Certain operators still think that to have a vendor and to have a monopoly over them is an advantage. We, on the other hand, want to put our R&D people to use with as many customers as possible – and it is to their advantage, too."

Ericsson sees three new large cellular markets on the horizon: mobile data; fixed cellular systems to replace copper or even fibre in the local loop; and a mass consumer market for cellular phones and cordless communications. It is difficult to predict their growth rates, but safe to assume that Ericsson will play a key role in all three.

Andrew Adonis

Paul Taylor looks forward to the global mobile systems of the future

New breed of satellites into orbit

By the end of the decade, a new generation of telecommunications satellites will provide global mobile telephone services, using lightweight pocket-sized handsets for voice as well as data communications.

Plans for multi-billion dollar global satellite mobile communications systems such as Iridium, Globalstar and Inmarsat-P are already well advanced and on target to launch services beginning in 1998. Others, including American Mobile Satellite, plan to launch satellite-based telecommunications services in the North American market next year.

Satellites are not new to the telecommunications industry. Geo-stationary satellites, which operate at an altitude of 22,300 miles, have played a key role in fixed and mobile telecommunications networks since the early 1960s, providing voice, data and video links over continents and oceans, maritime and aeronautical communications where land-based systems are ruled out and global positioning and tracking services for military and commercial customers.

They also provide telecommunications facilities to geologists, journalists, aid workers and others in remote regions of the world using briefcase-size portable terminals, such as those supplied by Inmarsat, the London-based 74-member International Maritime Satellite Organisation. Inmarsat uses five operational satellites to provide services to 40,000 customers, most of them in its specialist maritime and aeronautical markets.

However, projects like Iridium and Globalstar are based on a new breed of low-earth orbit (Leo) satellites which operate at altitudes of 400 to 1,000 miles. Because they are closer to earth than Geostationary satellites, Leo-based systems will work with less powerful, smaller, lighter and cheaper equipment.

But there are disadvantages. Leo satellite technology – much of it based on Reagan-era "Star Wars" research – is costly and largely untested. In order to provide reliable global coverage, many more Leos are needed than would be the case with their higher-flying counterparts which also means a large number of launches, and an extended roll-out period. In addition, the satellites themselves will have a relatively short life-span of five to eight years for Iridium satellites compared with 10 years or more for conventional Geos.

Undaunted, high-powered international consortia have unveiled proposals for about half a dozen Leo-based mobile systems over the past few years while other groups have announced proposals to build new wireless networks based on conventional satellite technology. As a result, satellite communications has become one of the hottest subjects in the global communications industry.

Nevertheless, as KPMG Peat Marwick concluded in a recent study for the European Commission, "limits on finance and radio spectrum probably mean that only two or three of the systems will ever reach the launch stage."

Among the front-runners are the \$3.4bn Iridium project, conceived by Motorola, the US-based electronics group, and the \$1.8bn Globalstar project developed by Loral, the US defence group, and Qualcomm. Both Iridium and Globalstar have crossed an important financing threshold by raising initial finance from investors.

Iridium will be based on a "constellation" of 66 small Leo satellites weighing 1,500 lb ringing the earth at a height of 420 nautical miles. Handsets for use of the system will be dual-mode, also allowing calls to be made on the local cellular network where available.

When a call cannot be routed via the terrestrial cellular network, it will be relayed to the nearest satellite, transferring between satellites if necessary, before being beamed down through one of 15 to 20 terrestrial gateways connected to the public telephone network or direct to its destination.

A year ago, Motorola raised \$800m from an international consortium, including Raytheon, Lockheed and Sprint of the US, Bell Canada and 18 Japanese companies including Sony, Mitsubishi and Kyocera as a first stage towards financing the Iridium project. More recently, a group of Indian financial institutions agreed to invest \$32m in Iridium and Comsat, the US satellite operator, is understood to be discussing investing \$70m to acquire a small stake in the project.

As prime contractor for Iridium, Motorola will be responsible for designing and building the entire network and has a \$2.8bn contract to maintain and operate the system for five years after its commercial debut in 1998. By then, Motorola's stake in the project is expected to have fallen from 34 per cent to 15 per cent.

But Iridium is likely to face fierce competition from Globalstar which has secured \$275m of equity funding from another international consortium. Globalstar's list of strategic partners now includes France Telecom and Alcatel of France, Airtouch Communications of the US, Deutsche Aerospace, Dacom and Hyundai Electronics of South Korea and Vodafone, the UK-based cellular network operator.

> More Leo satellites are needed and they will have a relatively short life-span of five to eight years

The company is now in talks with satellite launchers including China's Great Wall Industries. Two or three are expected to be chosen by the end of the year. Globalstar will use 48 Leo satellites orbiting at 750 nautical miles. It has been designed by Loral as a low-cost global access satellite-based mobile telephone system. Globalstar telephones will be similar in size and cost to digital cellular telephones and will be able to make and receive calls anywhere in the world.

A key feature of the proposed Globalstar system is that all calls will be set up and processed on the ground by a distributed gateway system. Loral claims the ground processing not only permits a more efficient, less complex and cheaper satellite network; it also uses, rather than bypasses, existing communications carriers making it more attractive to them.

For example Vodafone, which has acquired a 10 per cent share in Globalstar under a \$51m agreement, will have exclusive use of the Globalstar satellite service in the UK, Hong Kong, Greece, Denmark, Malta and Australia. In Australia, Vodafone plans to use the satellite based service to supplement its ground-based cellular networks – when a mobile phone customer on the Vodafone network goes into an area that is out of range of a ground base station, the phone can switch to satellite reception, ensuring total coverage and reliability.

Inmarsat, which had originally planned to build its own Leo system, has opted instead for a system based on a new intermediate circular orbit satellites orbiting at 10,000km which it believes will overcome some of the technical and other problems associated with Leos and meet the concerns of some its members

The Inmarsat-P system will cost \$2.4bn and be developed by an affiliate company, at least 70 per cent owned by Inmarsat and its signatories, which will also invite outside investment. It will use 12 to 15 satellites and be operational by 1999 or 2000.

To supplement revenues from voice traffic, most of these new satellite systems also plan to provide facsimile, paging, computer data and position determination services. This will bring them into direct competition with another group of network operators that plan to use "little" Leos to provide non-voice telecommunications services and with Teledesic, a \$9bn satellite communications project backed by Mr Bill Gates, chairman of Microsoft, and Mr Craig McCaw, of McCaw Cellular Communications, the largest US cellular telephone company which was recently acquired by AT&T.

Teledesics envisages 840 little Leos put into orbit 435 miles above the earth. The system, due to come into operation by 2001, is designed to deliver high capacity data, video and voice services worldwide using receivers and small antennas installed in homes and businesses.

Just how large a market there will be for these voice and other mobile satellite-based services by the end of the century is a moot point. The KPMG study suggested that the value of satellite delivered mobile phone services will reach Ecu10-20bn a year within the next decade.

Among the prospective network operators, Iridium expects to have 1.5m subscribers by 2002 while Globalstar, which promises to be the "low cost service supplier", aims to have signed up 2.7m subscribers by the same date, the bulk of which will be in rural areas and developing nations where wired systems are not cost-effective.

Louise Kehoe looks at the US market

Scramble for licences

AT&T's $12.6bn acquisition of McCaw Cellular Communications, which was approved by US regulators this summer, has set the stage for the reshaping of the US mobile communications industry as regional cellular telephone companies and new entrants race to create nationwide mobile communications services.

The union of the long-distance telephone giant with the leading US cellular carrier creates an industry behemoth. AT&T invented cellular telephone technology more than 30 years ago and is a big manufacturer of cellular equipment, but until now it has been unable to offer mobile phone services.

The megadeal is driving regional phone companies and cellular carriers into each others' arms as they scramble to get ready to compete with the new industry force.

Since early July, two regional "Baby Bell" phone companies, Bell Atlantic, which serves the mid-Atlantic region, and Nynex, which serves New York and New England, have decided to unite their cellular operations to create a giant east coast network, stretching from Maine to Virginia and serving 1.8m customers.

US West, which serves 14 mid-western states, has agreed to merge its cellular interests with Airtouch, a recent spin-off from Pacific Telesis, the west coast regional telephone company. Together they will have 1.7m customers. Ameritech, the Chicago-based Baby Bell, is reported to be seeking a similar alliance.

The US cellular market has been fragmented since it began in the early 1980s when the US government gave out just two operating licences in each region, one for each of the established local telephone companies and one for a new, independent rival.

McCaw, which build up a national presence by taking over many of these independents, is already a tough rival to local phone companies and the injection of AT&T's long distance resources promises to make it even tougher.

Although regional telephone companies have bought up cellular licences outside their regions, this has created a jumble of networks of differing standards. As a result, cellular telephones purchased in one part of the country do not always work in other places and charges for accessing different networks can be prohibitive.

Nonetheless, the US cellular market has grown from virtually nothing in the early 1980s to more than 16m subscribers at the end of 1993 with some 14,000 new customers signing up every day, according to EMCI, a Washington-based communications consultancy. The total number of US cellular telephone subscribers will reach 20m by the end of this year, the researchers predict, with growth continuing at a rate of 25 per cent a year for the next two years.

In addition, more than 18m people in the US subscribe to paging services, which have become very popular as a low cost form of mobile messaging services among teenagers as well as by business people.

New technology is driving change in the US wireless communications industry. In December, the Federal Communications Commission will put up for auction licences to operate new "personal communications services" – using low powered, high frequency, digital micro-cell transmitters that promise to make wireless telephone services price-competitive with conventional "wireline" networks.

> Paging services have become popular with teenagers as well with business people

If the recent auction of licences for advanced two-way paging services is any indication, demand for the broadband PCS licences will be strong. The paging licences were sold for $617m, well above the anticipated amount.

Killen & Associates, a California market research group, estimates that the sale of PCS licences will raise $25bn to $30bn, well above government and industry estimates of $10bn to $12bn.

"The FCC's recent auction of advanced paging and interactive video data service licences surprised many economists and financial analysts, who thought the government would collect only $50m or so," says Mr Michael Killen, the group's president.

"A winning bid at the broadband spectrum auction may be the regional telephone companies' last chance to maintain some control of their core businesses," he adds.

More than 2000 PCS licences will be put up for sale. Some will be for single metropolitan markets, others for large regions. Companies hoping to put together enough licences around the US to create a nationwide PCS network will probably have to bid hundreds of millions of dollars.

Both local and long-distance companies are preparing to bid for PCS licences, some of them in teams. The looming PCS auctions are another factor driving industry alliances as companies join forces and figure out where they need PCS licences to complete nationwide mobile communications networks.

By the year 2003 nearly one in 10 US residents will be subscribing to PCS according to Donaldson Lufkin & Jenrette, a Wall Street brokerage firm. The analysts predict that PCS will not make a significant impact until 1997, but will then grow rapidly to account for 25.4m users out of a total market for cellular-type users that will have grown to 103.6m subscribers by the end of 2003.

Yet another challenge to established cellular telephone service providers is posed by Nextel, a dispatch radio service company with ambitious plans to create a nationwide mobile communications network combining voice, data, paging and dispatch radio services.

Nextel has amassed "special mobile radio" licences, traditionally used for vehicle dispatch services, from coast to coast through a series of acquisitions and licence purchases.

But it suffered a setback last month when MCI, the US long distance carrier, withdrew from plans to acquire a 17 per cent stake in Nextel for $1.3bn. MCI was to have been Nextel's marketing partner. The companies are still exploring the possibility of a strategic alliance, but on different terms.

Whatever happens, Nextel claims that it will be the first company to offer advanced wireless voice and data communications services nationwide. Analysts predict that Nextel will win 15 per cent of mobile communications subscribers by the end of the decade, by which time PCS systems are expected to account for about 35 per cent of the total.

Mark Newman tries to unravel the cost of a cellular phone

Tariff packages get more complicated

Buying a cellular telephone used to be straightforward. UK operators Cellnet and Vodafone had only one set of prices and the same telephone could be used on either network.

But since the two introduced new consumer tariffs two years ago, things are more complicated. The UK now has four cellular operators, offering a total of 15 price packages on six different networks. Cellular phones cost from £25 to £300, and there are different telephones for different types of networks. If you change networks, the chances are that you will need a new telephone.

Choosing a cellular telephone and network is a confusing business. Market research company Romtec estimates that only 3 per cent of those who buy cellular telephones know in advance what network and tariff band they want. A survey of cellular telephone dealers by Cellnet earlier this year found that dealers are involved in 88 per cent of all connection decisions. But they do not always give impartial advice. A dealer is more likely to recommend a network and telephone which generate a high profit margin than a low one.

A report this summer by the London-based X25 Partnership shows the total cost of subscribing to cellular telephone services across Europe over three years. Mercury One-2-One and Orange, the two newest UK cellular operators, offer the cheapest services, although their level of network coverage is not as good as Cellnet or Vodafone.

There are wide fluctuations in the price of cellular telephones and services in western Europe. Scandinavia is the cheapest region in Europe, and southern Europe tends to be the most expensive. The cheapest service for a high user is offered by the Danish operator Sonofon at an average annual cost of $708, according to the X25 Partnership. France and Germany are two of the most expensive countries with annual costs of $1,874 and $1,728 respectively. The European average is $1,302. The costs assume 140 minutes of peak-rate usage and 10 minutes of off-peak calls a month.

> Denmark is cheapest; France and Germany among the most expensive in Europe

Several operators in Europe now offer services geared to people who make only occasional use of their telephones. These have lower monthly charges but higher call rates than ordinary services.

Sonofon again ranks as the cheapest operator for occasional users. A customer who makes 50 minutes of calls a month, of which 25 minutes are at peak times and 25 minutes off-peak, pays $318 a year over three years in Denmark. This compares with $433 in the UK, $591 in Italy, $783 in Germany and $1,020 in France.

Cellular operators are beginning to offer innovative tariff packages to differentiate themselves from their competitors. Some include free calls in the monthly subscription charge. UK operator Orange has five different monthly subscription packages varying in price from £15 to £100. The cheapest package includes 15 minutes of free calls, and the most expensive, 540 minutes.

Operators are also starting to offer regional and distance-related tariffs. When cellular services first appeared in Europe, operators had only one peak and one off-peak rate. It did not matter whether the call was local or long-distance.

But operators such as Mercury One-2-One and E-Plus, Germany's third cellular operator, are introducing a regional element into tariffing. This is partly because it will take them several years to build nationwide networks. At first, services will be available only in urban areas.

In response to competition from Mercury One-2-One, Vodafone has launched its own regional service called MetroDigital. There are five different peak rates according to whether calls are local or long-distance, and if they are made from a rural or an urban area. Calls are charged at half-rate if they are made from the customer's home call – a small area centred around the subscriber's home or office.

A sharp fall in the price of GSM telephones since 1992 means that in most countries GSM services are cheaper than those on the original analogue networks. In Germany, which accounts for more than 50 per cent of Europe's 2.5m to 3m GSM subscribers, the retail price for telephones was DM2,000 to DM3,000 when services were launched in 1992. But a combination of price cuts by manufacturers and heavy discounting by German service providers means that the street price of telephones has now fallen to DM100.

There is a large discrepancy in the price of GSM telephones in different countries despite the fact that a telephone sold in one country can be used in any other. The average price of a GSM handportable telephone in Europe is $557, according to the X-25 survey. But in Austria, Ireland and Italy, telephones cost more than $1,000. The cheapest markets tend to be those where GSM sales are highest such as Denmark and Germany, or where prices have to be low to compete with analogue network services such as the UK.

The growing maturity of the cellular telephone business in Europe is evidenced by a more sophisticated approach to tariffing. Most operators now have a range of packages, aimed at different segments of the market. But potential subscribers should beware. Cellular telephone services are still several times more expensive than fixed network services, and subscribing to a service which does not correspond to your needs could prove an expensive mistake.

The writer is editor of FT Mobile Communications

Mark Newman sees state-owned operators give way to competition

Tide of deregulation sweeps Europe

Continental Europe was slow to embrace competition in mobile communications networks and services. Only three countries – the UK, France and Sweden – had more than one cellular telephone operator before the launch of GSM digital cellular networks in 1992.

But within the last two years most countries have licensed at least one competitor to the state-owned telephone operator. Even Europe's most reluctant deregulators – Spain, Belgium and Ireland – are being swept along in a tide of deregulation and industry restructuring.

The transition to competitive markets is having major implications for the telecommunications services sector as a whole. It has acted as the catalyst for change at lumbering, inward-facing state-owned telephone operators whose own mobile communications businesses had, for several years, operated in a monopoly environment.

Deutsche Telekom has spun off its mobile communications division as a *wholly-owned autonomous subsidiary* in a bid to inject private sector discipline and commercial practices. In Belgium, Belgacom has sold a 25 per cent stake in its mobile division to AirTouch Communications, the Pacific Telesis subsidiary. Telefonica of Spain is also considering the recruitment of a foreign partner, while Stet in Italy is being advised by its partners to float its mobile communications subsidiary.

The introduction of competition has given expansionist-minded US telephone companies the opportunity to gain a foothold in Europe. AirTouch, the company spun-off from Pacific Telesis, is the most successful US telecommunications services company in Europe. It has stakes in cellular telephone networks in five European countries: Belgium, Germany, Italy, Portugal and Spain.

Two other Baby Bells, BellSouth and US West, have also taken positions in Europe. BellSouth is the dominant force in mobile data with stakes in operators in the UK, France and the Netherlands. It is also a shareholder in cellular operators in Denmark, France and Germany. US West *owns 50 per cent of Mercury One-2-One*, the UK's third cellular operator.

Vodafone Group, the UK cellular telephone operator, is emerging as the dominant force in cellular communications in Europe alongside AirTouch. It has stakes in cellular operators in six European countries other than the UK – Denmark, France, Germany, Greece, Malta and Sweden. Vodafone is relying on its overseas interests to boost its profits in the second half of the 1990s when competition in the UK will inevitably slow profits growth. Vodafone's overseas cellular interests, which also include stakes in cellular operators in Australia, Hong Kong and South Africa, are valued at around £1.5bn.

In most cases, companies such as Vodafone and AirTouch have taken only minority stakes in cellular operators. Licences are awarded on the basis of "beauty contests" and national licensing bodies tend to favour bidders with strong local interests. The largest single shareholder in a bidding consortium is usually a local *company. For example, German industrial* group Mannesmann has a 51 per cent stake in Mannesmann Mobilfunk, and in Italy, Olivetti is a 36 per cent shareholder in Omnitel Pronto Italia, the group which won Italy's second cellular telephone network licence earlier this year.

US phone companies have been given the opportunity to gain a foothold in Europe

For companies like Olivetti and Mannesmann with little or no tradition of operating in the telecommunications sector, the award of licences has offered them the possibility of expanding into a profitable new sector and reducing their reliance on core businesses.

The European Commission firmly endorses the transition to competitive markets. Its green paper on mobile communications published in May says member states should license at least two GSM digital cellular operators, and one personal communications network operator.

But the Commission has not been instrumental in the deregulation of the mobile communications sector. By the time its green paper was published in May this year – 2½ years later than originally planned – most governments had already decided in favour of licensing at least one competitor to the state-owned operator.

"The Commission is confirming trends that have already been established," says Mr George Metaxas, a legal expert at the Brussels office of Stanbrook and Hooper. "This market has been driven in a legal sense by itself. What Brussels has done is not exactly an 11th-hour intervention, but they have certainly left it until the ninth or 10th hour."

In other respects, however, the Commission is making a bid to lay down its own agenda, according to Mr Metaxas. "There are now new issues emerging such as roaming and restrictions to service providers."

Roaming is the ability to to use your telephone on a network in another country. With the new GSM system it is possible to make and receive calls across the whole of western Europe. But cross-border roaming has aroused controversy because it makes it possible for someone to take out a subscription in one country, but use the telephone primarily on a network in another country.

Telefon und Funk, a German cellular telephone dealer, started selling subscriptions last year to a Danish GSM network. Telefon und Funk customers could make calls on both German GSM networks but would be billed by the Danish operator. The German operators complained and the dealer was forced to abandon the sale of subscriptions to the Danish network. But the dealer, backed by the Commission, is now having its case heard at the European Court of Justice.

Another Brussels proposal which is opposed by a number of cellular operators is that they should be required to sell their services via wholesalers or service providers. Service providers would retain a share of around 20 to 30 per cent of subscriber revenues, and would be responsible for billing and customer management.

The concept of service provision is central to the Commission's green paper on mobile communications published in May. Another important recommendation – one which the cellular operators are firmly behind – is that they should be allowed to build their own long-distance networks, or use third-party networks, rather than hand calls over to the state-owned operators. A number of cellular operators believe that the charges levied by the state-owned operators for handling calls are too high, and are preventing them from lowering the price of their cellular services.

After a slow start, continental Europe is now warming to the potential of mobile communications and the benefits of competitive markets. The total number of cellular subscribers in Europe is growing by 60 per cent a year compared to only 30 per cent in the period 1990 to 1992. This coincides with the impact of competition. In 1990 there were 22 cellular operators in 19 countries offering 22 different services. Today, 33 operators offer 87 different services.

The Hong Kong market is to be thrown open to competition, **Jenny Walker** reports

A dash for mobility all across Asia

Telecommunications operators across the world will be eyeing Hong Kong over the coming months after the recent news that the mobile communications market is about to be cracked wide open.

The territory's industry regulator, the Office of the Telecommunications Authority (Ofta), has decided to move ahead with plans that will bring unprecedented competition, perhaps even as early as April next year. Ofta aims to license up to 10 new operators across two new technologies, offering six licences for digital PCN – a high capacity derivative of Europe's popular GSM, and four using PHP – an almost untried Japanese technology halfway between conventional cellular and the telepoint (CT-2) phone.

Not surprisingly, the existing four operators – Hongkong Telecom, Pacific Link, Hutchison Telecommunications and SmarTone – are not overjoyed by the news.

Few markets measure up to Hong Kong's almost feverish appetite for mobile. Even CT-2, which proved a disaster in the UK, has been lapped up in Hong Kong. The arrival of digital technology in the territory has caused so much demand that by June, one operator, SmarTone, was forced temporarily to halt accepting new subscribers to clear a backlog of several thousand applicants.

One consequence of mobile telephony's mass market appeal in Hong Kong is that pricing does not impact as it does in Europe or the US – a situation upon which industry has not been slow to capitalise.

Ofta's plans to throw open the market has left analysts divided. Some claim that the market will be swamped, causing prices to plummet, meaning casualties for some operators. Others say that the operators have long acted as a cartel maintaining artificially high charges, so increased competition would be welcome. What is sure is that the tenders for operators will see international giants queuing up with hopeful bowls extended.

One question which Ofta's move has thrown up is just how high the demand for mobile telephony can go. Hong Kong already has one of the highest penetration levels of mobile users in the world at 4.9 per cent, yet Ofta believes the market is far from saturated. It suggests that demand could rise to 1.1m users by 1988 – almost a quadrupling of existing users over the next four years.

While Hong Kong's runaway mobile success now rarely makes headlines, China's booming cellular market does so regularly. With a fast-growing economy, an increasing proportion of well-heeled potential customers, and a sorry shortage of fixed-line connections, cellular phones sales have rocketed, with subscribers increasing by more than 300 per cent annually over the past two years.

China's most important economic region, Guangdong, will have spent $1bn on cellular equipment by the end of the year, by which time its mobile users could even overtake Hong Kong. This growth has been achieved despite the high cost of connection and handset fees which at Yuan 20,000 ($2,300) work out at 12 years' salary for the average worker.

One interesting phenomenon unique to the Chinese market is a preference for large handsets. The bulkier the model, the greater the attraction, for there is great prestige in being seen to carry a large handset, however brick-like it may appear across the cultural divide.

In China, there is great prestige in being seen to carry a large handset, however brick-like it may appear

With little alternative in terms of fixed-line connections, over 150 cellular networks covering all major cities and ambitious plans for far greater capacity coming on stream, China's extraordinary growth levels look set to continue. By the end of 1994, the number of mobile users is expected to top 1.2m. There are few markets where cellular telephony can truly claim to have taken the place of fixed networks, but China is one.

While India too offers this potential, with fixed-line penetration at a mere eight lines per thousand population, plans have been stalled by lengthy court battles over licence allocations for Delhi, Bombay, Calcutta and Madras. When mobile finally arrives in the subcontinent, the effect could be dramatic.

Interest throughout south-east Asia has quickly picked up, with Malaysia and Thailand clinching growth rates of around 70 per cent in 1993. Not far behind were Australia, the Philippines and South Korea, all clocking up over 50 per cent growth.

Even the Japanese market – where interest has long been modest given the size of potential demand – has recently seen a sudden dash for mobility. Mobile phone users jumped by 488,000 between April and July – more than the total of new subscribers recorded for the whole of 1993 – and handset sales are expected to top 1.5m by the end of the year. This sudden spurt of interest coincides with the opening of digital networks and a change in the law, allowing Japanese customers to purchase their handsets, rather than rent them, for the first time.

The latest digital handsets are proving far more popular than analogue varieties, despite being about 30 per cent more expensive. The result has seen Japan kick-started onto a higher plane of growth.

Another market rapidly rising up mobile statistics charts is Thailand. Here the main spur to demand, particularly in Bangkok, has been competition between handset dealers. A basic analogue model now retails at Bt30,000 (about £780) and a digital handset goes for Bt33,000 to Bt35,000. In the capital, a shortage of public phone boxes and relentless traffic jams, which keep people in their cars for hours at a time, has also helped boost interest in mobile.

Unlike China, a dearth of fixed lines may not matter so much in Bangkok, since those who can afford a mobile almost certainly have a fixed-line phone. This does not hold true for provincial areas where waiting lists for connection to fixed lines are long. Demand in rural areas is set to rise for the odd reason that long-distance calls are cheaper on a mobile than on the fixed-line network.

One spur to growth in Asia's mobile markets is competition. The regulators have been willing to issue licences to new operators. The Philippines has five, Malaysia has six, while Hong Kong and Thailand have four. Japan tops the list with a total of nine competing networks. Yet the country that lays claim to the highest penetration level of mobile users, Singapore, has achieved a base of 6.3 per hundred population, through a monopoly-provider, Singapore Telecom. ST offers attractively-priced tariffs with monthly access fees at S$50 and airtime charges of 20 cents per minute across the board.

But the wave of liberalisation sweeping across Asia has not stopped at Singapore, and ST will be working hard to ensure the greatest returns from its mobile monopoly before it is joined by a second cellular operator in three years' time.

While analogue networks still form the lion's share of Asia's mobile networks, they will soon be overtaken by digital. Almost all new licence awards in the region stipulate that digital technologies be employed, of which Europe's GSM has proved the most popular.

According to the London-based communications consultancy, CIT Research, there could be over 30m digital cellular users in the Asia-Pacific by 2003. The largest market will be Japan with over 12.8m, followed by China with around 7.1m. In only nine years' time, says CIT, some 2.1m South Koreans, 1.9m Australians, 1.8m Thais and 1.3m Taiwanese will be carrying digital cellular phones, at which time the total market for mobile services in the region will be worth $20.3bn.

The writer is editor of the FT Asia-Pacific Telecoms Analyst

REINSURANCE

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Monday September 5 1994

Reinsurers are reviewing their traditional ways of doing business as they cope with the mounting cost of catastrophe losses, says **Richard Lapper**

Price cuts are in the wind again

Price reductions are again on the agenda of international reinsurance underwriters and brokers, gathering in Monte Carlo this week for their annual conference. But the increasing scale of catastrophe losses, graphically underlined by the mounting toll of claims from this January's Los Angeles earthquake, means rate competition is unlikely to be acute.

Despite the introduction of some $7bn of fresh capital into reinsurance ventures in the past two years, growing exposures – the result of economic, demographic and even climatic change – are putting an increasing strain on the industry's capital base and forcing reinsurers to re-examine traditional approaches to their business.

Earlier this year the influx of new capital – much of it raised to support new ventures based in the offshore Bermuda market – stirred fears in some quarters that the reinsurance industry was returning to the kind of competition which proved so disastrous in the late 1980s.

Events this year provide some evidence of softer market conditions. Some Australian and Japanese insurers – who renew their annual policies in April and July – did pay less, with rates down by as much as 15 per cent for Japanese buyers, for example. And a number of brokers expect to be able to obtain quite substantial cuts in prices when they start negotiating to renew covers for European and some American buyers over the next few months.

"We can probably obtain a 25 per cent saving in reinsurance costs, taking into account deductibles and price," said one leading London broker. "And you can certainly budget for a 15 per cent cut."

However, there are indications that rates will not fall much further. Reinsurers point out that prices for catastrophe cover are many times higher than they were five years ago. Mr Richard Keeling, one of the leading reinsurance underwriters at Lloyd's, says that rates are holding in the US and that his syndicate has shed exposures rather than follow the market down. Following the violent fluctuations in international capacity in recent years, many buyers want to secure long-term relationships with reinsurers, points out Mr Keeling, adding that concerns about "longevity" are outweighing those linked to price.

"Many companies realise they really need reinsurance. They've seen the dark side of the moon and are not reckless in abandoning long-term relationships," explains Mr Keeling. Other Lloyd's underwriters also argue that the market is likely to remain stable. Another Lloyd's underwriter says he expects "the market will renew pretty well as before".

Every area of the Lloyd's market is under "gentle pressure" he continues, but underwriters are still more worried "about losing their jobs than losing premium".

Especially for reinsurers with US exposures the Los Angeles earthquake has provided a useful reminder about both the scale and uncertainty of exposures. Loss estimates from the quake were originally estimated at some $2bn but have been successively revised upwards, with the current figure of $7.2bn, representing the US industry's second most expensive catastrophe after hurricane Andrew.

"Everybody is kidding themselves over the extent of the exposure," notes Mr Jacques Blondeau, chairman and chief executive of SCOR, the rapidly growing Paris-based reinsurance company.

"People were over optimistic. Computer models were just not accurate enough. It is striking to see how poorly equipped we are to measure these catastrophes."

These perceptions mean that reinsurers are continuing to insist on much tougher conditions for insurers underwriting business in areas highly exposed to catastrophe risks, with more selective pricing and higher deductibles the norm.

And reinsurers are also becoming much more selective about the companies they choose to reinsure. "They want to understand what the underwriter is doing much more than they did before," says the chief executive of one of the UK's composite insurance companies.

One longer-term response is that reinsurers increasingly recognise the need for financial strength and security

Outside the catastrophe area reinsurers have questioned the logic of granting unlimited liability coverage on employers' liability and third party liability covers. Unlimited cover of this kind looks likely to disappear from the market almost entirely in 1995.

"It is very hard to argue that any individual or corporate body actually needs the luxury of unlimited coverage. The loss events covered can be quantified and as insurers and reinsurers we should not leave the door open to rampant legal and social inflation," points out Mr John Engestrom, chief executive of Mercantile & General Re, the UK's biggest reinsurance company and a subsidiary of Prudential Corporation.

Caps have been placed on exposures under proportional covers (policies in which reinsurers take a fixed share of the risk for the same share of the premium less a ceding commission). "Uncapped exposures under proportional covers are impossible to price adequately," notes Mr Engestrom.

More broadly, Mr Engestrom argues that insurers and reinsurers need to rethink their roles and redefine the concept of fair sharing of risk. He adds that there should be "open and trusting information sharing in the widest sense".

The theme is echoed elsewhere in the market, where groups as diverse as Centre Re, the Bermuda-based subsidiary of Zurich Insurance, and Benfield Re, the highly successful reinsurance broker, are increasingly keen to develop multi-year relationships between insurer and reinsurer.

The use of some reinsurance products – such as "spread loss" contracts – has declined following changes in accountancy rules. Nevertheless reinsurers are continuing the search for policies which reward buyers who agree to share some of the risk and renew their policies with the same reinsurer.

"All we are really trying to do is provide contractual encouragement for long-term relationships," explains one London reinsurance broker.

"Nobody wants to buy or write a risk for just 12 months," says Mr Matthew Harding, chairman of Benfield, who insists that cedants take a compulsory co-insurance on all contracts he brokes. "The customer base in the industry wants continuity and certainty. The emphasis should be on continuity rather than price."

In other ways, too, reinsurers – both brokers and underwriters – are looking for longer term responses. For one thing, there has been an increasing recognition within the industry of the need for financial strength and security. Many smaller firms have withdrawn, while bigger ones have chosen to work closely together.

Earlier this year, two of the industry's largest companies – Cologne Re of Germany and General Re of the US – agreed to form a "strategic alliance". The new holding company, in which the US group will have a majority interest, has been hailed as a third force in the market to challenge Munich Re and Swiss Re. "There has been a sorting out of the industry, with those companies that offer size, security and capacity coming out on top. The top seven or eight are playing a different game from the rest," said an industry analyst.

There are also signs that reinsurers are developing products which can attract a broader class of investor. Scepticism in the industry about the future of reinsurance derivatives is widespread. Nevertheless there are signs that interest and take-up of the new derivative products is growing, following the launch in December 1992 of the Chicago Board of Trade's catastrophe futures and options contract.

Although the volume of business at the exchange is still modest – exposures on the Chicago contract amount to an estimated $25m – interest in an "over the counter" product – a loss warranty product which uses the Chicago contract's loss index – is much greater. Enthusiasts such as Mr Andrew Martin, managing director Sedgwick Payne Insurance Strategy, say the development of derivative products could eventually bring greater flexibility and transparency to the reinsurance market. Capital markets could become more willing to trade reinsurance risks, he suggests.

REINSURANCE 2

Trevor Petch examines the new growth markets in Europe, Asia and Latin America

Liberalisation is in full swing

In recent months liberalisation of the insurance industry throughout the world has reached a speed which only the most optimistic would have predicted at the beginning of the 1990s.

Steady progress towards the single market in western Europe, finally completed on July 1 this year, has been paralleled by the creation of the North American Free Trade Area (NAFTA) linking the US, Canada and Mexico, and in South America by the Mercosur Common Market between Argentina, Brazil, Paraguay and Uruguay.

The opening of the markets of eastern and central Europe followed naturally from the collapse of the centrally-planned economy.

Although most states have retained a measure of control over foreign involvement in insurance and reinsurance, it is anticipated in most cases that this will disappear by the end of the decade.

With the exception of the Baltic states, these restrictions are generally tightest in the former USSR. Earlier this year, important progress was made when both Russia and Ukraine, as part of wide-ranging economic co-operation agreements with the European Union, agreed to liberalise access for EU insurers by spring 1999.

In Asia, the impetus for more open markets was the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The General Agreement on Services (GATS) was eventually agreed at the end of last year.

Insurance is one of a number of problematic areas dealt with by complex annexes agreed in a last minute compromise. One effect of these was to create a period of two years during which the US in particular will remain free to try to use bilateral pressure to force access to insurance markets it considers closed. Insurance is one of the three areas it has chosen to include in negotiations with Japan.

A number of governments which have traditionally favoured purely national insurance markets have recognised that, in the medium-term, open markets are inevitable. This year, Taiwan has permitted investment in insurance by non-US insurers (US companies were already able to operate), and measures of demonopolisation and denationalisation are under way or under active discussion throughout the Indian subcontinent.

Most major international insurers are opening offices in China in preparation for the expected opportunities there, and a number have also set up in Vietnam.

In former Communist states, risks for which cover was not provided are now being insured

The growth potential for primary insurance is perhaps most obviously apparent in the Communist and former Communist countries in economic transition. Property and liability risks for which there was no perceived need for cover are now being insured, and privatisation creates its own additional requirements, especially in commercial lines.

Last month an important breakthrough was made when American Re announced that it had successfully placed a \$500m (£750m) property cover for Russia's largest truckmaker KamAZ with leading international reinsurers and Russian insurers. Last year KamAZ lost its western-equipped engine plant in fire which cost in the region of \$375m and was completely uninsured.

Another particular area of growth, in which the role of reinsurers has been central, is motor and health lines related to foreign travel.

Growth in any insurance market will also follow general economic growth, and this is the major factor in the Indian subcontinent. In some ASEAN member countries, growth by medium-sized industrial companies is particularly strong.

International investors are once again turning their attention to Latin America after the "lost decade" of the 1980s, and as in the more developed industrialising markets of Asia, the traditional progression from domination of insurance market volume by commercial lines to a greater incidence of personal property and life and savings business is to be expected.

In most of the major markets of Latin America, the pension and private health sectors are also major areas of expansion as the role of the state decreases.

In all areas, however, while Munich Re is "prudently optimistic" about the potential for growth of insurance and reinsurance business, it is careful to emphasise that it is much more circumspect in its analysis of the prospective results.

In the ASEAN countries, for example, the reinsurance market is already very competitive, and margins are "quite low, to say the least," the company says.

Catastrophes are another worry, especially in areas where there is risk both from windstorms and earthquake. Last year Cologne Re announced that it planned to cease providing catastrophe cover in Latin America on a proportional basis.

Munich Re began to require clients to take more active measures to control aggregate catastrophe exposure, and expressed particular concern over adequate pricing of the earthquake element of property covers.

The same concerns apply in much of Asia. For reinsurers rather than primary insurers, a longer-term concern is that the economic growth which increases personal wealth and insurance demand brings with it a marked increase in aggregate exposure in the event of a catastrophe.

Property previously uninsured becomes insured, and the amount available to be

insured increases both in terms of volume and of value. There is also the danger of "Florida syndrome" as residential buildings become both more concentrated and sited in ever more unsuitable locations from a meteorological point of view.

As one reinsurer points out, a significant proportion of any major catastrophe loss is a large number of householder claims of relative low average value, a value which tends to increase the worse the catastrophe is because of the upward pressure on repair costs.

The lesson of this year's Northridge earthquake in the US was to demonstrate that a "number of extremely well-run insurance companies mis-evaluated their exposure", he says.

Nor does deregulation bring automatic benefits to reinsurers. In countries such as Chile, Colombia and Mexico, deregulation was at first accompanied by a sharp increase in competition and a decline in original premium rates.

In markets which have been protected by a domestic reinsurance monopoly and regulated tariffs, the level of underwriting expertise is often low, while fear of competition can delay correction in rates even when results deteriorate.

Nor does the volume of reinsurance premium itself automatically increase with liberalisation. If there is market concentration or significant local investment by large multinational insurers, retentions may increase significantly. In Argentina, for example, in 1989 reinsurance represented 28.7 per cent of total direct premium. The monopoly reinsurer INdeR was closed in 1991, and premium ceded is now around 13 per cent.

● *Trevor Petch is editor of the Financial Times newsletter World Insurance Report.*

Brokers discover that the good old days of assured profits are gone for ever, writes **Naomi Caine**

Now it's every firm for itself

The world of the reinsurance broker is no longer the cosy, clubby place it once was.

The same harsh reality that has prodded the retail and wholesale sectors into action has finally penetrated through to the reinsurance layer, prompting widespread and large-scale changes.

Some firms will not survive the brush with reality; those that do will emerge as risk consultants with a much wider brief than their ancestors. The harsh reality is a shrinking, but more demanding client base. Brokers are having to prove their worth to their customers by cutting costs and adding value.

It is a difficult juggling act to perform when the squeeze is on remuneration and when brokers are still servicing long tail liabilities. Brokers work within much tighter margins than underwriters and administering old accounts is expensive and time-consuming. The problems are exacerbated by the reluctance or inability of some reinsurers to shell out for claims and by the switch from the standard 10 per cent commission on premium income to more flexible and creative arrangements.

"The cost to brokers of reinsurance run-off in the London market alone could be more than £1.1bn", says Mr David Corben, chairman and chief executive of Jardine Thompson Graham. "The general squeeze on the rates of brokerage will continue and there may well be pressure for fees or negotiated commission."

Some brokers are further hampered by past, expensive forays into the underwriting arena. Alexander & Alexander's ownership of Sphere Drake in the early 1980s is proving to be a costly mistake.

Willis Corroon has laid its underwriting company, Sovereign, to rest and C E Heath has disposed of its companies, mainly in Australia. Sedgwick has recently recapitalised River Thames, but the decision surprised the market and cost the broker £25m.

The shakeout in the insurance industry has created a market of fewer, larger clients. Brokers are therefore desperate to hang on to their existing clients and to engage in the bitter battle for new ones.

The harsh reality is a shrinking customer base that wants lower costs and higher value

But the sophisticated insurance company client base demands that brokers prove their worth. There is, after all, always the temptation to deal direct. "It is no longer enough for a reinsurance broker simply to place a client's risk. Nowadays, the successful broker is a fully-fledged consultant who offers the client a whole range of skills and services," says Mr John Pelly, chairman of non-marine reinsurance at Willis Corroon.

Mr Corben agrees: "The reinsurance broker of the future will provide a far more technical and knowledgeable service than has been the norm in order to add value to the process. He must be sufficiently trained to understand aggregations and be able to do some basic statistical analysis."

The insurance industry is often accused of living in the technological stone age, but reinsurance brokers are embracing technology as a means of offering their clients a bespoke service. Facilities such as CATMAP in the US allow brokers to analyse risk profiles down to the very last detail, ensuring clients buy a policy that exactly matches their risk exposure.

This type of risk analysis by computer will come into its own if the trend away from proportional business towards excess of loss continues. "An excess of loss risk or event is more difficult and complicated to analyse and rate than a proportional programme," explains Mr Pelly. "The broker who is up to speed and who can help the client calculate the extent of his exposure will steal a march on his competitors."

Brokers can also sharpen their competitive edges with security analysis. Client confidence in the reinsurance market has been eroded by a reduction in market capacity and by the troubles at Lloyd's of London. More and more clients ask more and more questions, down to the name of the lead underwriter on a Lloyd's syndicate.

"Clients want to know who is underwriting their risk and need to have the utmost confidence in the security of that underwriter," says Mr Alan Williams, deputy chairman of Alexander Howden reinsurance brokers.

The search is on for high calibre personnel who can strengthen the push for professionalism

"It is the broker's job to vet security with an up-to-date system."

Networks, such as LIMNET and RINET and the Electronic Placing Support, a London market initiative due to go live on January 1 1996, should speed up the broking process and lead to a more efficient and cost-effective business. But brokers have mixed feelings. They have read the mandate to move with the times, but they look back with longing at the old ways.

"Technology is revolutionising the broking industry. But we should not be afraid of change if it enhances the service we offer our clients," says Mr Williams. "I do not believe that computers will replace face-to-face negotiations, certainly not with lead underwriters, they will simply reduce the amount of time and effort spent trudging round the market from one underwriter to another."

By streamlining the business, brokers hope to cut costs and promise to pass the savings on to their clients. The broker's raison d'être is to serve the needs of the client. If there are fewer clients it stands to reason there will be fewer brokers. Some, *particularly the smaller firms* with scant resources, will not keep up with the pace of change. Those that do, should finish in better shape.

Emphasis is now on the recruitment of high-calibre personnel who can put their shoulders behind the push for professionalism. But if client numbers are dwindling, brokers need to forage for new business. Although they refute the claim that they are creating markets, a number of the larger broking houses are pioneering developments in the burgeoning economies of eastern Europe and Latin America.

The government of Kazakhstan, for example, has selected Alexander Howden to be its insurance consultant. Market conditions and client demand have forced the reinsurance broker to take a long hard look at the business he conducts and the way he conducts it. And these ever-flexible middlemen have responded to the challenge of change. They may take the occasional look back at the past, but they have always got at least one eye firmly on the *future.*

Bermuda's success raises hackles, says **Trevor Petch**

A faster profits centre

In July, Dr Hans-Jürgen Schinzler, chairman of Munich Re, the largest reinsurance company in the world, warned that it was already becoming difficult again for reinsurers to obtain reasonable conditions for catastrophe business.

He told a German newspaper that it would not emulate some of its competitors in establishing a subsidiary in Bermuda to specialise in this area, and in an unusually forthright comment suggested that some of these, attracted by the high rates currently on offer wanted "to make a quick dollar".

Such comments are familiar to the eight property catastrophe specialists based on the island. One local observer suggests wryly that Bermuda has suffered "a slide into critical acclaim".

Mr Henry Keeling, chief underwriter for Mid Ocean Re, the first of the new specialist companies established in November 1992, believes any supposed conflict with "traditionalists" is illusory. "Reinsurance is a truly global business," he says. "Bermuda is simply the most efficient place to put our capital to work."

According to Mr John Dowling, chief executive of International Property Catastrophe Re, mainly owned by leading US insurers and reinsurers, the key issue is the success of the Bermuda market; the problem is that some observers measure success in a different way.

The new companies are not a threat to the rest of the world market but a complement to it, Mr Dowling believes, drawing attention to the quality of both the capital and the personnel which they have recruited. They have also passed the acid test of securing a customer base among major – and very discriminating – property insurers, he says.

Mr Michael Butt, chief executive of Mid Ocean, also identifies the "flight to quality" as the key feature of the new market, which he suggests requires investors with a first class reputation, and capital of the order of $400m to $500m (£265m-335m).

> Bermuda's coming of age has been marked by the coming of the catastrophe specialists

Bermuda's initial role was as the main centre for captive insurers owned by big commercial entities, a position which it still retains. The mid-1980s saw the establishment of the large, privately-owned high-level liability insurers ACE and XL and so-called financial or finite risk reinsurers which needed a tax-efficient location. There are now half a dozen of each, as well as two companies in formation aimed at coping with the US Oil Pollution Act.

In a sense, therefore, the arrival of the catastrophe specialists marks Bermuda's coming of age, in providing capacity for part of the core business of the global reinsurance market rather than speciality requirements.

The importance of this development is demonstrated by the updating of Bermuda's insurance legislation, an outline of which was expected to be announced last week. This is aimed primarily at removing any suggestion of insufficient supervision of companies active in international markets by introducing four categories of company, from simple captives to those writing commercial liability.

After struggling for years to obtain some improvement from unwilling cedants, some European reinsurers might be forgiven for rather resenting any factor which might reduce the limited length of time for which they could enjoy better margins.

Mr Dowling points out that while Bermuda may have raised $4.5bn in new capital, with perhaps another new $1.5bn in London, this still represents less than the $10bn which is often given as the amount withdrawn from the reinsurance market since 1987 – and there have been huge global losses from hurricane Andrew and the Northridge earthquake since the new companies were formed.

Mr Keeling observes that "there is still too much demand and not enough supply, especially in the US".

He points out that the new companies write a "completely different" business mix than the so-called traditional reinsurer. By focusing closely upon property catastrophe business, stronger underwriting discipline can be exercised and aggregation and volatility controlled. By taking advantage of a low cost base and efficient use of capital, the maximum benefit of such wider margin business can be enjoyed.

Mr Butt believes that the quality of the security offered will become "ever more important" as client concern over uncollectable reinsurance increases.

A variant of the "margin reduction" criticism runs: unless catastrophes simply fail to occur, how can the above average returns promised to investors be generated except by writing other lines where margins are also temporarily attractive?

In order to protect their asset base, the property catastrophe specialists must underwrite premium as a fraction of their capital (30 to 50 per cent is typical). Mr Dowling stresses that $4.5bn in capital for underwriting predominantly low frequency/high severity business does not mean the same volume of premium written as it would for a multi-line reinsurer.

While it is true that most of the property catastrophe companies do write perhaps 40 per cent of their book in other property reinsurance, marine and aviation, Partner Re (the largest in terms of share capital), Tempest Re and Centre Cat are currently exclusively property catastrophe companies.

More significant is the fact that none of the new companies write long-tail liability business. "Our capital is transparent, unencumbered by such claims from the past," Mr Dowling says.

A third area of concern, hinted at by Dr Schinzler concerns the period and terms on which capital has been committed to the new ventures. One new facility which did not receive support from the capital markets was Compass Re, which was to have had a life span of about five years. The Compass Re vehicle will be finally wound up on September 23.

If the non-insurance institutional backers of the new ventures are not long-term investors and are not to be rewarded by high current dividends, the implication is that they expect to make substantial gains through stock placements, as the initial investors in finite risk reinsurers were able to do. They will maximise their return if they can sell at the top of the market.

Although most if not all of the new ventures emphasise that their return on capital is to be measured over a long period, and stress their long-term commitment, observers such as rating agency Standard & Poor's have indicated reservations about whether the new facilities can prosper in a soft market as well as in a hard one.

Mr Butt responds that the reputation of the investors is such is that they cannot afford simply to walk away. "Over the next 10 years, reinsurers must offer their clients a greater degree of stability," he says, adding that "The concentration of capital into larger units with professional investors is necessary if that role is to be fulfilled."

For reinsurers, September brings the Rendezvous in Monte Carlo and the start of the North American hurricane season. Last year, however, proved relatively disaster free and against the background of harder reinsurance rates, much improved results for the 1993 year are already emerging, writes LEE COPPACK.

The UK's largest reinsurance company, Prudential subsidiary Mercantile & General, transformed a loss of £143.5m on its general business in 1992, which pushed the whole company into loss in 1992, into a £6m profit in 1993 and an overall profit of £104m.

For the first time since 1989, members of the London companies group, the London Insurance and Reinsurance Market Association (LIRMA), enjoyed a positive cash flow during 1993 – this was the £549m by which members' premiums processed by LIRMA's processing bureau exceeded claims.

To some extent the current situation mirrors the market conditions of the mid-1980s when underwriters took measures to improve deteriorating results. Better rates, together with a year, 1986, which was extraordinarily free of major losses, resulted in a surge of capital into the market. Lloyd's capacity doubled from £5bn in 1984 to £10bn in 1987. The effect of the resulting competition on rates and conditions was exacerbated by an unprecedented series of catastrophes. The results are well known, the repercussions still being felt.

The spectre of profits slipping has already made its appearance. As Matthew Harding, the chairman of specialist reinsurance group Benfield, puts it: "There hasn't been a disaster for five minutes, so people think there won't be another."

He believes that for the market to work insurance and reinsurance must retain a sizeable element of fortuity; premiums can only be a relatively small proportion of the potential exposures. Therefore, catastrophe risks which may remain clear for several years before a disaster strikes are particularly vulnerable to misplaced optimism.

Competition certainly has returned in some classes, according to John Pelly, group managing director of UK and North American reinsurance at broker Willis Faber & Dumas. For example, Bermuda companies anxious to avoid an accumulation of North American catastrophe risks want to write business from other parts of the world. But reductions have not been sweeping, he says.

However, that does not

> 'There hasn't been a disaster for five minutes, so some people think there won't be one'

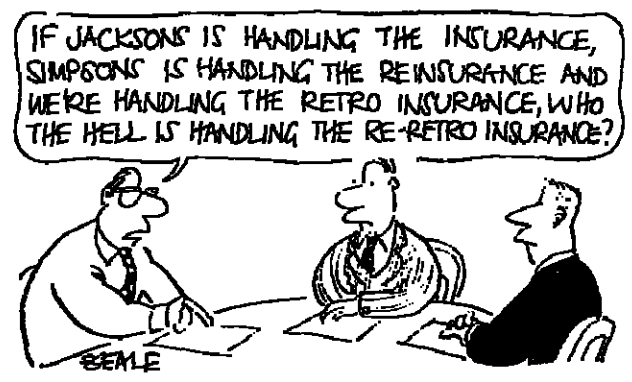
mean that the spate of natural disasters partly responsible for the recent losses is necessarily over. Announcing the company's 1993 results, the chairman of Munich Re, Dr Hans-Jürgen Schinzler, commented: "The insurance industry's exposure to large catastrophe losses was quickly demonstrated again by the Los Angeles earthquake on 17 January 1994 and the windstorm and flood damage in Germany that also occurred at the beginning of the year."

He added that there were "no grounds for relaxing our efforts to determine and implement risk commensurate prices".

The problem for reinsurers is to determine and keep to such a price. Because of the nature of reinsurance, by the time it is clear that the rates charged were inadequate, competition may well already have depressed them further.

The 10 years of reinsurance statistics published earlier this year by London Insurance and Reinsurance Market Association (LIRMA) reveal that, while in property business the claims picture is reasonably clear after two years, there can still be blips, and even without the complications of asbestos and environmental pollution, in long tail business the account may continue to develop over four or five years and the picture in marine may be more exaggerated.

When rates look profitable,



■ LONDON AND LLOYD'S

A suspiciously long lull

there are few real barriers to entry into the market. The shortage in capacity produced by insolvencies and withdrawals brought $5bn new capital into Bermuda in 1993, and an additional £2.1bn capacity into Lloyd's.

However, other factors may help to slow the pace of competition. The benefits of increased rates and the relatively few insured catastrophe losses in 1993 are unlikely to last long enough to make up more than a small proportion of the funds which haemorrhaged from Lloyd's and the London market companies.

Over four years Lloyd's has lost £6.9bn, including boosting reserves for past years. In 1991 and 1992 LIRMA members lost £1.4bn net on their reinsurance underwriting, and this does not include now those 13 groups which have become insolvent since 1990.

So institutional investors from outside the industry are cautious. Interest rates are now significantly lower than they were in the mid 1980s which should make reinsurance less tempting as a cash flow machine, and economies recovering from recession are offering other investment prospects.

The stock market performance of the Lloyd's investment trusts, initially sparkling, has been lacklustre since April and analysts question how much unsatisfied demand there is for corporate involvement in Lloyd's. "We do not think a lot of new capital will be coming into Lloyd's corporate capital," says Roman Cizdyn of Smith New Court, an experienced observer of the London insurance market. "The launch of the trusts this year was probably unique, a once only opportunity."

The Lloyd's market board has just published an estimate of £10.3bn maximum for Lloyd's capacity in 1995, down from £10.9bn this year as names have to meet cash calls and a study from Smith New Court issued in August suggests the fall could be larger. Bermuda, now a major competitor, is estimated to have about $13.7 bn (£8.8 bn) in capital, excluding captives.

A noticeable change in Lloyd's has been a fall in the proportion of its underwriting classed as reinsurance. According to figures collected by Lloyd's Planning Department, from a peak of 58.6 per cent of premiums including brokerage in 1991, reinsurance last year made up 49.6 per cent of the premiums processed through the market.

One explanation has been that underwriters have seen greater opportunities in direct business. Between 1990 and last year, total direct business has risen by 39.3 per cent; reinsurance by only 9.1 per cent which, against the background of firmer reinsurance rates, suggests that Lloyd's share of the world reinsurance market is likely to have slipped. The fastest growing class in Lloyd's has been UK motor, which has more than doubled since 1990.

Investment in Lloyd's will largely be affected by the success of its plans to create an authorised reinsurance company, NewCo, to take over the US liability risks, such as asbestos and environmental pollution, dating from the 1985 year and before. Lloyd's intends that NewCo should be up and running at December 31, 1995.

This problem continues to plague the London market, particularly Lloyd's, because it has gone on so long. Half of Lloyd's loss of £2.048bn for 1991, the most recently closed underwriting year, was made up of increases in reserves for prior years of account, but its chairman, David Rowland, argues that Lloyd's is almost certainly better reserved than most of its competitors."

The latest estimate by respected rating agency A. M. Best puts the ultimate cost to the US insurance industry over the next 25 years of environmental and asbestos damages in the US at around $132bn, excluding any meaningful refund of Superfund. This amount is equal to 72 per cent of the industry's current capital and surplus. Yet US liability rates remain soft.

What now seems a terrible burden to the London market may eventually provide a significant, competitive advantage, because adequately reserved insurers will be in a strong position if others are forced to raise prices to pay for old losses.

● Lee Coppack is co-editor of Global Reinsurance and Global Risk Manager.

REINSURANCE 4

Claire Wilkinson discusses the forthcoming changes in reinsurance of UK employers' liability

Unlimited cover is on the way out

From the beginning of next year reinsurers plan to introduce limits on all employers' liability contracts, restricting cover to between £5m and £10m per policy. For UK employers, by law required to purchase a minimum of £2m indemnity, these restrictions spell the end of unlimited cover.

Increasing exposures to catastrophic liability claims, combined with a rise in occupational disease claims, have led reinsurers to make the break from tradition. The Association of British Insurers (ABI), estimates that employers' liability insurers, excluding Lloyd's, paid out claims of £541m in 1992, compared with £430m in 1988.

"Over the last few years the market generally for reinsurers has been hit by all sorts of losses so we have been trying to make our business more controllable. We certainly have not been making enough profits to justify continuing to offer unlimited cover," says Stephen Riley, deputy general manager (non-life) at Swiss Re (UK).

The 1988 disaster on the North Sea's Piper Alpha oil rig cost the market an estimated £120m and induced reinsurers to reconsider the issue of unlimited cover.

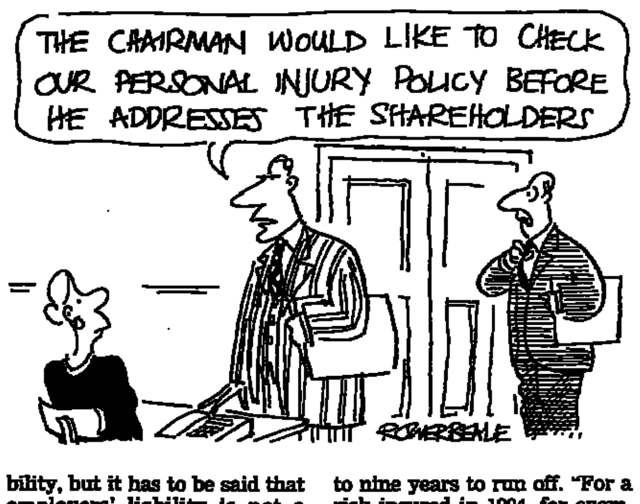
Stephen Riley explains: "the Piper Alpha loss gave force to the worries that there was potential for a large industrial accident to occur affecting large numbers of people and for there to be a mega claim. Frankly, the premium basis we were operating on was not sufficient to cover that claims exposure." In the wake of Piper Alpha, the reinsurance industry imposed treaty restrictions, leading most insurers to exclude offshore exposures, or limit their liability to £2m per occurrence.

The Piper Alpha blaze showed that premiums had been insufficient

Accidents apart, the growth of occupational diseases such as deafness and asbestosis has placed further pressure on the employers' liability market. Emerging diseases such as repetitive strain injury (RSI) have also contributed to the rise in claims.

According to ABI estimates, industrial diseases now account for about 50 per cent of total employers' liability claims, compared to under 20 per cent some 10 years ago. While individual disease claims tend to be relatively low, liability is spread over many years, making it difficult for insurers to predict future claims. "The problem is that you've got large numbers of people involved and the time lag between first exposure, manifestation and settlement of the claim can be 25-40 years," says Stephen Riley.

Reinsurers are not so exposed to the occupational disease problem, however. "We don't have a major back-year problem on UK employers' liability, but it has to be said that employers' liability is not a profitable class of business," he says. According to David Thomas, executive director, Willis Corroon London, the typical employer liability claims experience can take up to nine years to run off. "For a risk insured in 1994, for example, it may be 2003 before all claims are paid and outstandings reduced to zero," he says.



Lack of profits and high exposure to long-tail risks has driven both insurers and reinsurers from the market in recent years. In 1993, two major players in the unlimited liability reinsurance market, Nederlandse Reassurantie Groep (NRG), and NW Reinsurance Corp, ceased underwriting. According to Stephen Riley, their withdrawal increased the likelihood that there would be no further cover available or that many companies would have difficulty in placing unlimited reinsurance.

At the same time insurers have been questioning their commitment to provide employers' liability insurance. "It now appears that 80 per cent of employers insurance measured in premium terms is written by only eight insurers. Of these eight, three control something like 40 per cent of the market," says David Thomas.

Contraction in cover and impending limits on exposures will undoubtedly lead employers to seek protection outside the conventions of the commercial reinsurance market. Increasing levels of self-insurance and formation of captives are likely alternatives. But are reinsurers concerned about the potential competition posed by insureds? "No captive or mutual is going to be able to retain all that risk unless it is very well capitalised. From our point of view, I don't see it as a major threat," says Stephen Riley.

Risk management is the key issue for both insurers and insured

Others view the competition as more of a challenge, as Ian Sinclair, managing director, underwriting, at Unionamerica Insurance Co, says: "obviously we make our living by writing insurance and reinsurance. If our own insureds are trying to compete with us, that is not a very easy pill for us to swallow."

According to employers' liability reinsurers, the introduction of limits will enable them to gauge their future liabilities more accurately and ultimately to offer more capacity in the market.

As Stephen Riley says: "placing limits on it will certainly lead to more accurate assessment of the price that ought to be charged. In the long term if we all feel more comfortable about it, we will be able to offer more capacity to our clients."

It is also hoped the restrictions on cover may coax employers to take more preventive measures to limit their own exposures, in turn reducing the level of claims. "Employers must recognise that the only way to control the cost of employer liability insurance is to control the cost of claims. Risk management is the key issue both for insurers and the insured," says David Thomas.

● *Claire Wilkinson is a writer on the Financial Times newsletter World Insurance Report*

Richard Lapper finds that a widening range of derivative products is arousing growing interest

Into line with other financial markets

Talk to a typical reinsurance underwriter, broker or claims manager about insurance and reinsurance derivatives and you will usually be met with a blank gaze – what one enthusiast for this new breed of financial products calls the "dead mullet look".

Yet despite widespread scepticism in traditional circles, interest in reinsurance futures and options contracts is slowly growing. Trade in the catastrophe futures and options contracts launched in December 1992 by the Chicago Board of Trade is small but the volume of transactions has increased more than ten-fold in the last year.

More important, the development of the exchange-traded product is directly influencing the reinsurance market, leading to the effective emergence of an "over the counter market" for catastrophe reinsurance options.

Leading reinsurers such as the Centre Re, part of the Swiss Zurich group, are already active in the market. Brokers are exploring the potential. And there are signs that US investment banks see the development of the market as a means to gain access to the billion dollar reinsurance industry.

Mr Andrew Martin, managing director, Sedgwick Payne Insurance Strategy, and one of a growing band of enthusiasts from within the traditional reinsurance market, says the growth of derivative products signals the beginnings of a securitisation of the reinsurance market which will bring the multi-billion pound industry into line with other financial services.

"Insurance and reinsurance may be the last frontier", he says.

The Chicago Board of Trade (CBOT), which lists a range of financial and commodities derivative contracts, launched its innovative catastrophe reinsurance product in December 1992.

The contract is based upon an index prepared by the Insurance Services Office, an US insurance industry body which collects rating and claims information from insurance companies.

The ISO index is based on a loss ratio (premiums as a percentage of claims), which is calculated from reported losses and premium income reported by companies over a three month period. Contracts are priced according to moves in the ISO loss ratio with the settlement price of each increasing by \$250 for each 1 per cent upwards movement in the ratio.

The trade in catastrophe futures, launched in 1992, is steadily expanding

For example, while a loss ratio of 20 per cent would give each contract a value of \$5,000, a loss ratio of 100 per cent would give a value of \$30,000 (ie \$250 multiplied by 120).

Contracts priced on this index are labelled in the last month of each quarter with the price of the March contract based on losses incurred from January 1 to March 31 as reported from January 1 through to June 30.

Trade in these futures contracts has been non-existent. However, reinsurers and investors have been more active in trading options on these contracts. Indeed by the beginning of August the CBOT registered 5,370 separate trades on the eastern catastrophe options, the most heavily traded catastrophe contract.

Most of the contracts are "call spreads" options, used to limit and isolate a particular layer of risk, explains Dr Morton Lane, managing partner of Lane Financial, a company which advises brokers trading on the exchange.

For example, buyers might pay for an option to buy a contract when the loss ratio reaches 40 per cent and sell an option for the loss ratio exceeding 60 per cent. This effectively gives the buying company a tranche of protection similar to that available in excess of loss reinsurance contracts.

Mr Lane concedes that the amount of exposure covered by the eastern and national options contracts is "tiny", with exposures covered (as represented by open interest – those contracts that have yet to be settled) amounting to no more than \$25m.

Premiums paid for the options amount to about \$5m, he estimates. Yet interest has risen steadily. Exposures are up from between \$2m and \$5m a year ago. The number of houses active in trading the contract has risen from between six and eight a year ago to more than 20 today. "Most significantly many of the big investment banks have now got involved," says Mr Lane.

In addition, despite the limited activity on the exchange, the developments in Chicago have given a boost to over the counter trading in derivative products.

Derivative contracts can be purchased at any time and can be traded

The most important trend here is the willingness of a small number of reinsurers to use the ISO index as an integral element of a specialist excess of loss contract, the loss warranty policy.

Claims on a loss warranty policy are triggered by two sets of losses: firstly, those on the reinsurance policy of the buyer; secondly overall industry wide claims in the quarter.

"The exchange has stimulated a change in the way certain franchise covers are underwritten. People have started using the ISO numbers and the trigger related to the industry-wide loss has become more important," says Mr Lane.

Observers believe that as much as 20 times more business could be traded over the counter as on the exchange itself. The growth in the OTC market is attracting attention inside the reinsurance industry.

Already significant reinsurance companies are becoming significant players. Zurich Insurance – through its US subsidiaries – is one active player, and a number of other companies have hedged their own exposures by buying call *options* on the exchange.

Traditional reinsurance contracts retain important advantages. Not least, they are individually underwritten and directly cover an agreed group of exposures, providing – in derivatives parlance – a "perfect hedge".

Yet derivatives also have their attractions. While the price of a traditional reinsurance contract is generally known only by broker and underwriter, derivative contracts are transparent.

Reinsurance contracts are negotiated once a year and their price can vary sharply from year to year. Derivative contracts by contrast are more flexible. Cover can be purchased at any time and contracts can be traded.

Advocates of the new products also argue that the traditional reinsurance insurance industry cannot provide enough capital to cover the mounting scale of catastrophe risks.

"The risks exposed are increasing faster than insurers' capital and capacity," points out Sedgwick's Mr Martin. "We want to move to the point where we can buy and sell insurance and reinsurance risk to the capital markets."